CANADA

BUDGET SPEECH

DELIVERED BY

HONOURABLE D. C. ABBOTT

MINISTER OF FINANCE

MEMBER FOR ST. ANTOINE-WESTMOUNT

IN THE

HOUSE OF COMMONS

APRIL 10, 1951

OTTAWA
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
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BUDGET PAPERS

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IN THE

HOUSE OF COMMONS, TUESDAY, APRIL 10, 1951

Hon. Douglas Abbott (Minister of Finance): Mr. Speaker, I move:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

In the twelve months which have elapsed since I brought down the last annual budget disquieting changes have occurred in the state of the world, and in Canada's place in it. The prospect is still far from clear. Great issues are still in the balance.

Last June the international tension crystallized in Korea. In September, parliament wholeheartedly supported the government's policy of participation in repelling this aggression. It was our hope then that the action in Korea would soon be brought to a successful conclusion. But later events took a graver turn when the Chinese communist government supported the North Korean aggressors in force. An end to the war in Korea is not yet in sight; indeed, there are indications that the United Nations forces may shortly be facing a most severe test of strength.

The Korean situation is significant of even greater dangers. It indicates that Russia is prepared to take steps involving the risk of a general war. While the strength of the west is increasing, so also is Russian strength. In the months that lie ahead, perhaps indeed for several years, we shall face a test of nerves, of our readiness to sacrifice immediate interests for future security. This is the background against which the budget must be viewed.

Without minimizing our anxieties, we are, however, entitled to take encouragement from certain of the developments during 1950. Since I shall of necessity have to speak at greater length this evening about matters that will be less pleasant and less welcome to us as individuals, I feel I should call attention now to some elements that favour us. We have serious tasks before us, but that is all the more reason why we should clearly understand that some of the changes that have occurred are on the asset side of the balance sheet, and if we are given time and if we take full advantage of that time, they will outweigh our present dangers.

The first great asset we have acquired—and it is perhaps immeasurable—is that the free world has realized its dangers, and has shown a capacity to agree upon courses of action and to act effectively. For this great event of 1950 we owe much to the vigorous leadership of the United States and the experienced partnership of the United Kingdom. Let us never forget that upon the continued enlightened and cordial partnership of the United States and the United Kingdom the peace and prosperity of the whole world heavily depend.

Nor should we fail to appreciate the response to the crisis made by the peoples of free Europe, and especially by our associates in the North Atlantic treaty. With all these peoples we have ties of race and kinship, and now we are joined by the still stronger bond of common ideals and common purpose. The visit with which the President of France has just honoured us has strengthened the links which history and culture forged long ago between our two countries.

This unity in action on the part of the free world is the first great and incalculable change for the better during the past year. If this unity should weaken, or if it should disintegrate, the outlook would be dark indeed. That is why it must be a fundamental object of our policy to promote and strengthen this unity of purpose and policy. We do well to take pride in the imperishable record of 1940 and 1941 when the commonwealth stood alone, but we should also take care that we are not called upon a second time to face such perils alone.

Another asset we have acquired during the past year is the very considerable continued improvement and expansion in the productive capacity of the western world. During 1950 industrial production in western Europe advanced by 20 per cent and is now operating at a rate about 35 per cent above pre-war.

In the United States industrial production during 1949 experienced a sharp decline. In 1950 it recovered rapidly and is now running at a rate about 115 per cent above pre-war. Canada's industrial production was almost unaffected by the 1949 decline in the United States; in 1950 it increased still further and is now about 110 per cent above pre-war.

The recovery of European capacity to export has also been most encouraging. In 1946 the volume of European exports was only one-half of the pre-war average; by 1949 it had recovered to pre-war levels, and is now running 25 per cent higher. Much of this improvement has been the result of the realignment of exchange rates to more realistic levels which took place in September, 1949. As a result of these improved conditions the dollar problem has receded into the background, at least for the time being. It still exists, however, and the rearmament program may revise it to some extent, but it no longer dominates the economic scene as it did two or three years ago.

A third great asset we should take full note of is that here in Canada, unlike so many countries, our people are not split and divided by fundamental cleavages of opinion. My task this evening is made easier because I sense that there are no great issues of principle dividing us. Individuals and parties in this house will differ on particular proposals, and in the course of debate on this motion it will be right and proper that those who differ should criticize. There may be differences of view with respect to degree and timing, but I am confident that on the major questions of policy underlying my proposals we are all fundamentally agreed.

The tasks before us will not be easy. We shall have to forgo some of the prospects of individual economic improvement that seemed to be our right. We shall have to yield for the time being a part of our economic gains of the recent past. But we must address ourselves to these tasks, and pay whatever price may be necessary to preserve peace and assure freedom.

Canadian Economic Trends

I turn now to a review of Canadian economic developments during the past year and to a projection of these trends into the year that lies ahead. As usual I am tabling a white paper which presents the more important economic and financial statistics in a convenient form, together with some brief explanatory notes and comments. The white paper also includes the usual preliminary details of our public accounts for the year ended March 31, 1951. I commend these budget papers to the careful study of all hon. members, and with the consent of the house I ask that they be printed as an appendix to today's debates.

National Production and National Income

Almost every significant economic indicator in Canada established new records in 1950. Gross national production in 1950 was close to $18 billion, net national income was about $14 billion, and personal expenditures on consumer goods and services were not far short of $12 billion. Gross capital investment was about $4 billion, and wages and other labour income nearly $8½ billion. Most of these figures are seven or eight per cent above 1949. A little less than half these increases represents increase in physical terms, and the rest is a reflection of higher prices.

The statistics of net farm cash income indicate an apparent decline of $90 million, but this is due to lower initial and participating payments on western grains during the past calendar year. In 1949 western farmers received payments from the wheat board amounting to $100 million more than the value of the grain delivered, and in 1950, $60 million less than the value of their deliveries. Agricultural production in Canada in 1950 was higher in both volume and value than in 1949, and farmers' cash income, excluding the variations in wheat board disbursements, was five per cent greater in 1950 than in the year before.

Investment and miscellaneous income in 1950 reached a new peak of $2·9 billion, a reflection of the very heavy new capital investment of recent years as well as the rising prices and high business activity of 1950. In the years 1946 to 1950 more than $9 billion of new plant and equipment has been installed by Canadian industry. Accurate figures of total capital investment in our industries have never been compiled, but I think it is a safe statement that during the past five years it has increased by not less than 40 per cent. Our industrial labour force during the same five years has increased by 12 per cent, and our agricultural labour force has declined 10 per cent.

Forecasting the future is always difficult, and in Canada is perhaps particularly difficult, partly due to our heavy dependence on the harvests of the land and sea, neither of which can be confidently predicted, and partly due to our dependence on foreign markets. This year it is made still more difficult by reason of uncertainties respecting steel and other materials and the shortages of special classes of skilled manpower. Every minister of finance, however, must adopt a view of the future, and I am basing my budgetary proposals on an assumption that the gross national product in 1951 will reach about $20 billion. That is an increase of about 12 per cent over 1950.

Employment, Wages and Manpower

The latest available statistics covering non-agricultural employment in Canada indicate that there are about 130,000 more persons employed than at the same time a year ago, and that there are about 115,000 fewer persons seeking work.

Monthly labour income at the end of 1950 was 11 per cent higher than a year earlier. For the eight leading industries regularly reported upon by the dominion bureau of statistics employment increased by five per cent during the year, weekly wages by seven per cent and total payrolls by twelve per cent. Average number of hours worked declined by a small fraction to a point just under 43 hours a week. Compared with the beginning of 1946 average weekly earnings adjusted by the cost of living index showed an increase in "real" earnings of nine per cent. Compared with a year ago the increase was about two per cent.

A manpower problem is likely to develop during the coming year. It is not likely to take the form of a serious over-all labour shortage, but there is already a scarcity developing in certain types of skilled labour, and it seems probable that these shortages of particular kinds of skill will become more widespread as defence production gathers momentum. As hon. members know, the government has recently appointed a national advisory committee on manpower to study and advise upon these matters.

Consumption and Personal Savings

Personal spending on consumer goods and services in 1950 was about seven per cent higher than in 1949. A large part of this increase was concentrated in the second half of the year, and the increase was most conspicuous in consumer durables. The number of new passenger cars sold in 1950 was double the 1948 figure and 60 per cent greater than in 1949. Sales of electric refrigerators were three times as great as in 1948 and more than double the 1949 figure. And these rates of increase have probably accelerated during the first three months of this year.

Personal spending increased more than personal incomes, resulting in a decline in net personal savings out of current income. This decline in new savings amounted to about $270 million, or a drop of about 30 per cent.

External Trade, the Balance of Payments and Exchange Rates

During 1950 there were a number of important changes in the pattern of our foreign trade. Exports from Canada increased by about four per cent to a peacetime record of $3,157 million. Since the price of our exports averaged about five per cent higher than in 1949 there was probably no increase in the volume of goods sold abroad. Imports, on the other hand, increased sharply in both volume and value. The total value of all merchandise imports in 1950 was $3,174 million, or an increase of 15 per cent over 1949. It will be seen from these figures that we imported $17 million more than we exported. This, however, does not take account of our exports of $162 million of gold which are not included in our regular merchandise trade statistics.

Changes in the direction of our trade were also significant. Our imports from the United Kingdom increased 32 per cent; from all other overseas countries by 27 per cent; and from the United States by 9 per cent. On the other hand, our exports to the United States increased 34 per cent, while our exports to the United Kingdom declined by 33 per cent, and to all other countries by 20 per cent. As a result of these shifts in trade our regional trade became much better balanced. In 1949 our exports to the United States paid for only 78 per cent of our imports; in 1950 they paid for 96 per cent. In 1949 United Kingdom exports to Canada covered only 43 per cent of her imports from us; in 1950 this figure rose to 85 per cent. For all other countries our imports in 1949 covered 64 per cent of our exports to them, and in 1950 this trade was almost exactly balanced.

Estimates of our balance of payments for 1950 indicate that we had a deficit on current account of about $300 million and a surplus on capital account of about $900 million, yielding a net increase of about $600 million in our gold and U.S. dollar reserves.

I think all hon. members are familiar with the facts of our extraordinary, I might even say embarrassing, increase in U.S. dollar reserves last summer when they increased by more than $500 million in ten weeks. After reaching a peak of $1,827 million at the end of October, 1950, our reserves have declined moderately and at March 31, 1951, stood at $1,653 million. At March 31, 1950, our reserves stood at $1,192 million.

One welcome consequence of the improvement in our exchange position was that we were able to withdraw all the emergency exchange conservation restrictions which we had to impose in November, 1947. After a steady series of relaxations during 1949 and 1950 the last of these restrictions disappeared on December 31, and the act itself was revoked by proclamation on January 15, 1951. The application of such restrictions is an irritating and a thankless task, and I should like to take this occasion to pay tribute to all Canadians, both consumers and business-

men, for the co-operative and understanding way in which they bore the complexities and the annoyances of this period. The demise of this act was unwept and unsung, but I trust not without honour.

Another consequence of our improved trade and general economic position was our action with respect to exchange rates last September. During the month of June an inflow of speculative capital from the United States became noticeable and it gathered momentum through July and August, reaching almost flood proportions in September. This inflow of funds, this tribute by New York to the essential soundness of the Canadian economy and its prospects, was rather sudden and not a little embarrassing. Much of it was looking for a quick ten per cent profit in the expectation that the Canadian dollar would be moved back to parity with the United States dollar. The inflow created difficulties for us not only from a banking point of view, but also in the sharp inflationary stimulus it applied to our money supply. The Bank of Canada took energetic measures to sterilize this inflow by heavy selling from its portfolio of government securities, and the government was in the fortunate position of having a cash surplus enabling it to finance part of the inflow which would otherwise have required further borrowing.

After careful review of all the relevant factors, and after consultation with the international monetary fund, we came to the conclusion that the wise policy to follow was to withdraw the official rates on the United States dollar and allow the exchange rate to find its appropriate level in response to the normal supply and demand forces operating in the market from time to time. As hon. members know, this operation was carried out smoothly, and during recent months the American dollar has been fluctuating narrowly and quite normally at premiums varying between 4½ and 5½ per cent.

The Control of Inflation

Two great issues, Mr. Speaker, face the world today. They are the pursuit of peace and the control of inflation. Neither of these is peculiarly Canadian. Both are matters of great concern to every decent country in the world. In respect of neither of them are we fully masters of our own destiny, for we live in a highly interdependent world. But both of them have had a large part in framing the policies of expenditure and revenue which are joined in my budget tonight.

Of our policy of seeking an enduring and expanding peace I need not speak at any length. It is clear and it is unambiguous. Its financial aspects are found in our defence estimates, in our provision for aid through various United Nations agencies both for relief and for other constructive purposes, and in the estimates which will be tabled later in this session for our co-operation in the Colombo plan.

I must, however, speak rather more fully about ways and means of restraining inflation. As I said a moment ago, this is not just a Canadian problem; it is a worldwide trend. Indeed, price increases in Canada during the past year have been more moderate than in other comparable countries. During 1950 wholesale market prices in Canada advanced 15 per cent; in the United States they advanced 19 per cent; in Australia 22 per cent; in the United Kingdom 23 per cent, and in most of the western European countries between 20 and 25 per cent. There is some satisfaction, though perhaps not much, in being not quite so badly off as one's friends and neighbours.

We must face the fact, however, that a considerable measure of inflation is abroad in the world. The continued increase in the various price indexes during the past three months is evidence of that. As the London *Economist* put it a few weeks ago, "the virus of inflation has got into the economic blood stream." Even if strong and effective measures are taken in all major countries it cannot be cured overnight. But it is the duty of each country, having regard to its own circumstances, to take all the practical and sensible measures available to it to bring this virus under control.

We in Canada have already done a great deal. As I have said on previous occasions, this is not a matter in which government policies alone can provide a complete solution. It is a matter which requires the fullest co-operation of all sections and groups, in which every person has a part to play. But governments can and should do a great deal. The government can exercise careful control over its own expenditures; we can follow a fully pay-as-we-go policy; we can restrain the expansion of credit; and we can apply direct controls either to particular conditions or, if necessary, more generally. In Canada we have done all of these and we shall continue to develop and apply these policies.

The essential principle in preventing inflation is to restrict the total of all expenditure, public and private, to an amount which can be met from our production and imports. The necessities of defence now require that our expenditure for all other purposes should be reduced—making due allowance for the increase in prices that has already occurred.

This requires us all to reappraise the priorities of our expenditures for various purposes and projects. Immediately following the Korean crisis last summer the government reviewed its own expenditure programs, and many projects that had been planned and for which parliament had voted funds were deferred. Since that time the numbers in many units in the public service have been reduced or held below the figures for which parliament had appropriated salaries. Hon. members and others have already seen tangible effects of this policy. The detail pages of the estimates show many instances where expenditure in the past year has been considerably below what was authorized and planned, despite the increase in wages, salaries, and prices.

For this new fiscal year we have applied a similar but more severe test of need. For non-defence purposes we have reversed the upward trend in expenditures. The estimates placed before parliament for this year show a reduction of $35 million below last year, despite an increase of more than ten per cent in salary and wage levels, despite higher materials and construction costs, and despite an increase of nearly $40 million in old age pensions, family allowances, tax rental agreements with provinces, and similar payments that rise automatically with increases in population and the value of production. The numbers of employees engaged in normal government administration are being reduced, and parliament is being asked to appropriate salaries or wages for about five per cent fewer employees than last year, apart from defence and related services. This reduction is made possible in part by an increase in normal office working hours, and by the elimination of certain services and activities.

We have paid particular regard to our expenditures on construction, because it is in this field where we anticipate the greatest competition between the defence program and other public and private expenditures. Examination of the estimates for the departments of public works, transport, agriculture, and resources and development—our major non-defence spending departments in this field—reveals very large reductions in their construction programs, notwithstanding urgent needs for expenditure of this kind, following twenty years during which works have been postponed, first for lack of funds, then for war, and finally, in recent years because of shortages of materials and labour.

It is hard to set a figure upon the reduction in expenditures that we have made because of the necessity of diverting resources to defence. I think, however, it would be fair to say that if we had not gone beyond the careful and prudent planning applicable to a growing Canada in a peaceful world, our non-defence expenditures might well have increased by more than $100 million instead of being $35 million less. I should like to thank all my colleagues and their senior officers for their co-operation in the difficult task of contracting their programs and expenditures.

It is in one sense misleading to talk of a special "economy drive" in regard to government expenditures. The duties of a minister of finance consist largely of a continuous search for economies. A more accurate way of expressing it is that priorities of expenditures shift and change from time to time, but given a program agreed upon for a particular year, the effort to achieve economy and efficiency is never relaxed.

Our second anti-inflationary policy is to balance the budget fully. If I may anticipate a later section of my speech I can say now that I estimate our budgetary surplus for the year just ended to be $203 million. As will also be seen from the resolutions I shall refer to later, we propose to follow a strict pay-as-we-go policy for the coming year.

Hon. members are also aware of the measures that have been taken to restrain the expansion of credit. In the field of direct action by government, regulations affecting consumer credit were put into effect last November, and revised on a more restrictive basis in March of this year. We have also begun to curtail the use of government funds by way of mortgage credit for housing and the extension of government guarantees of bank loans for farm improvements.

In the field of monetary policy, the Bank of Canada has for some time been exercising its influence to restrict the cash reserves of the banking system so as to discourage monetary expansion and, last October, raised its rediscount rate as a signal of warning. In February the bank expressed the view to the chartered banks that further increase in the total volume of bank credit would be undesirable. The banks agreed that restraint in bank lending under present conditions was in the general public interest, and adopted certain measures suggested by the Bank of Canada and described in a public statement issued by the bank. In addition to specific policies in respect to certain types of loans, it was announced that lending practices would be tightened wherever possible in all fields of bank lending in order to achieve the desired objective of avoiding further increase in the aggregate volume of the banks' loans and holdings of non-government securities. Hon. members will understand

that these monetary and bank credit measures depend upon voluntary co-operation rather than government regulation, but the objective towards which they are directed is, I believe, very much in the public interest.

There is, I think, a growing realization throughout the country that at a time of full employment the level of investment cannot exceed the current level of new saving by the community without having an inflationary influence. In such circumstances extension of credit requires particularly careful scrutiny. One symptom of the very large demand for credit in recent months has been the establishment of higher interest rates in Canada, as in the United States and other countries. One would like to see more restraint in the demand for loans, and larger annual savings out of income. It is now widely recognized also that, within the limits imposed by aggregate new saving, lending institutions and individuals alike can make a constructive contribution by directing their investment policy so as to give preference to projects assisting the defence program and essential productive enterprise.

These tighter credit policies strike at the root causes of inflation by cutting down what business and consumers can spend in excess of their incomes. They take some months to show their effects on excessive purchasing and the rise of prices, but already one begins to see evidence of their influence. Along with similar action in the United States they will have a growing importance in holding prices down.

We have now had five successive years of unprecedented capital investment. A year ago I did not think that the 1950 rate of expansion would exceed the record of 1949, but in fact it was 14 per cent higher in value and about 7 per cent greater in physical volume. Preliminary reports for 1951 indicated that the business and industrial world was planning for another 15 per cent increase in capital investment above 1950. I am led to believe, however, that quite a few businessmen and other operators are revising their plans to more moderate dimensions in the light of steel shortages and tighter bank credit. But the indications are that the plans for capital expansion still being pushed forward are greater than the capacity to fulfil them. Unless there is a much sharper increase in per capita output than we have ever had in the past it will be literally impossible for all groups in the country to accomplish what they want or what they are planning to do: the government to double its defence expenditures, consumers to raise their levels of consumption, and business to increase its rate of capital expansion.

We cannot allow the defence program to suffer, nor would we wish to see a reduction in the levels of ordinary personal consumption. It is, therefore, largely in the field of capital investment and consumer durables that room will have to be made for the defence program. This is the more necessary since it is in this sector of the economy—the construction, metal using and machinery trades—that most of the defence production will be inserted.

Finally there is the question of direct controls. The government, through my colleague the Minister of Defence Production, is already applying direct controls in the allocation and use of steel and certain other essential materials, and he has powers which he is prepared to use to extend these controls when that appears to be necessary and desirable. The government's views on this general problem of direct controls have already been fully stated by the Prime Minister and by others earlier this session. The government's attitude toward direct controls is not based on theoretical or academic or ideological grounds; it is based on a completely practical appreciation of prevailing conditions and upon the estimated effectiveness of any proposed form of control in the given circumstances. I shall not repeat our views which are well known and well understood. If we reach a point where we believe a much wider range of direct controls would be in the national interest we shall use them, but we are not prepared to embark upon a premature program which under present conditions would in our judgment create more confusion than stability.

At the risk of some repetition, however, I would like to re-emphasize the extent to which higher prices are transmitted to Canada from abroad. More than one-fifth of everything we produce is exported, and about the same proportion of everything we consume is imported. In other words a large part of our price structure, certainly more than half its components, is directly determined by what others outside Canada charge us or will pay us. As my colleague the Minister of Defence Production (Mr. Howe) said last night, it would be possible to reduce substantially the price of meat in Canada, but only by placing an embargo on all cattle and meat exports. But if we want to retain the American market for our cattle—and in the long run it is essential—we in Canada must be prepared to pay as good a price for them as the Americans. We could reduce the price of clothing in Canada, but only by paying extremely heavy subsidies on imports of raw cotton and wool, on textile yarns and textile fabrics. As my colleague

said last night, raw cotton has gone up fifty per cent in price during the past nine months, and raw wool prices have doubled.

Under conditions of total mobilization our people and producers would, I am sure, accept if necessary the loss of markets, the detailed regimentation of their businesses and the denial of their normal freedom to bargain and to make free contracts. We are not in that position now. We hope, and we still have reason to believe, that the policies of peace and security that we are following in association with other free nations will prevent the development of such conditions.

I have said something about what the federal government can and should do in these matters. It is equally important that provincial and municipal governments should follow comparable policies in their own spheres. Provincial and municipal expenditures, and the important public services which they sustain, are assuming increasing importance in the Canadian economy. In 1945 their net expenditures—that is, the expenditures of the provinces and the municipalities—totalled about $700 million, and in 1950 they exceeded $1,500 million. Total non-defence governmental expenditures in Canada at all three levels of government, excluding all intergovernmental transfer payments, have increased by about $1,000 million since 1945. In round figures $180 million of this increase has been at the federal level, $530 million at the provincial level, and $290 million has been in the municipalities. Both the provinces and the municipalities have highly essential functions to perform which require them to undertake a great deal of both small and large scale construction work. Having regard to the impact of defence on construction materials and skills I must again urge the provinces and municipalities to review particularly their capital and construction programs in the light of the general public interest.

Of the public at large, consumers and producers, farmers and merchants, businessmen and labour, I ask for restraint and good sense in all economic matters. I come back again to the fundamental importance of increasing efficiency and output. Statistics and charts in the white paper I have tabled indicate that there has been no measurable increase in per capita productivity during the past five years. This can be explained by the larger proportion of children and old people in our population. But if we are to carry greatly increased defence costs without having a definite fall in our standards of consumption we shall have to do better than this—we shall all have to work harder and longer.

Greater output, however, is not just a matter of each of us working harder or longer. Productivity is also a reflection of efficient business management, and it calls for mutual confidence and the best possible working relationships between management and labour.

There is also urgent need for a higher volume of new saving, to cover the increase in capital investment which is in prospect, and to restrain the rising trend in consumer spending. This is certainly one of the best ways of reducing the intensity of competition for the use of labour and materials, and so reducing the upward pressure on prices. It is to the interest of every Canadian to make the maximum effort to save, or to increase the level of his saving, as a direct contribution to the avoidance of inflation and the successful prosecution of the defence program. The money saved can be used to buy Canada savings bonds, or to pay off the mortgage on his house or farm more rapidly, or to speed up the repayment of other debts, or to increase his savings in any other form that suits his individual circumstances. The important thing is to achieve an increase in aggregate saving up to a level at least equal to the new capital investment which we shall have to make this year.

Government Accounts: 1950-51

Turning now to a brief review of the government's accounts, may I again call the attention of hon. members to the detailed statements relating to these accounts in the white paper to which I have already referred. Of course it will be some time before the final figures for the year just ended will be available, and the figures I shall be using must, therefore, be regarded as preliminary and subject to revision.

In my statement to the house last September, I estimated our expenditure at $2,654 million and our revenue at $2,669 million. It now appears that our actual revenues for 1950-51 were about $3,105 million, our expenditures about $2,902 million, and as a consequence our budgetary surplus about $203 million.

The most notable feature of our financial operations has been the extraordinary buoyancy of our revenues, which reached an all-time peak and exceeded our estimates by $436 million. Our revenue, as hon. members are aware, is highly sensitive to variations in our production, trade, incomes and prices, and the unprecedented collections for the fiscal year are essentially a reflection of the high rate of economic activity generally during 1950, which began to accelerate in

April and May, and moved upward, much more rapidly after the outbreak of hostilities in Korea.

Direct taxes, which include personal and corporate income taxes and succession duties, yielded $257 million more than a year ago and account for half our total revenues. Indirect taxes, which include all customs and excise, have also shown a marked increase, yielding $201 million more than in 1949-50, and forty per cent of the total.

The greater yield from direct taxes is primarily the result, on the one hand, of increased employment and higher incomes, and, on the other, of higher corporate profits earned during 1950. The record yield of $800 million from corporation income tax reflects in part the increase in corporate profits I have already discussed, in part the higher rates of tax imposed last September, and in part the provision introduced last year whereby private companies were allowed to capitalize their undistributed income on hand at the end of the 1949 taxation year upon payment of a tax of 15 per cent. As I said in my budget speech of March 28, 1950, it was impossible to predict what revenue would accrue from this 15 per cent tax, as no one could tell how many companies would take advantage of the new provision in the fiscal year. In fact, more than $90 million of tax has been paid by private companies under this provision.

The increased yield from indirect taxes is due, for the most part, to a larger volume of sales of consumer goods and services at higher prices, and, in lesser degree, to the impact of the additional commodity taxes introduced last September.

Our higher revenues are also the result of constantly improving efficiency in the Department of National Revenue. During the past two or three years a particularly good job has been done in streamlining procedures, speeding up assessments, and cleaning up arrears, as well as taking prompt and salutary action against fraudulent tax evaders. For this good work I should like to tender my particular thanks to my colleague the Minister of National Revenue (Mr. McCann) and his staff of senior officials.

I will not go into details of non-tax revenues or special receipts except to report on one item. Post office revenues have risen, but operating costs have also increased, with the result that on the usual basis, without adjusting for certain services rendered free or below cost to other departments and certain services or accommodation received without charge to it, the post office showed an operating deficit for the year. Details of all other items of non-tax revenues and special receipts which amount to $234 million will be found in the white paper.

Apart from the following three items, our estimates of expenditure have proved to be fairly close to the actual results for the fiscal year.

The house will recall that in my budget statement of September 7 I set a figure of $100 million for our estimated expenditures under the $300 million vote for the supply of military equipment and related services for our own use and for the use of our north Atlantic allies. I indicated at that time that this sum might be exceeded, and that indeed our aim would be to expedite this program by all possible means. We now expect that when the accounts for the year are closed they will show that we have made defence equipment, valued at $195 million, available to our north Atlantic friends, and consequently $95 million of the excess of our expenditures over our forecast may be attributed to this factor. Almost the whole of the remaining difference is accounted for by the two special items included in the further supplementary estimates for 1950-51 which were not foreseen last September, namely, the $65 million payment authorized to be made to the Canadian wheat board, and the special contribution of $75 million to offset in part the reported deficit in the superannuation account.

The most significant single feature of our expenditure has been the increase in national defence. Expenditures for the services and for defence research increased by about $190 million, and in addition, as I have already noted, supplies valued at $195 million were made available to our partners under the north Atlantic treaty. In all, our defence expenditures increased by $388 million to a total of $773 million. This amount is more than double the total defence outlay for the preceding year, and represents more than a quarter of all our expenditures for 1950-51.

In addition to the increases already mentioned, there was an increase of $22 million in payments for family allowances, old age pensions and pensions to the blind, and an increase of $20 million in the various payments to the provinces; but these were more than offset by reductions and savings in other items.

For example, there were significant reductions in expenditures for interest on the public debt, veterans benefits and government-owned enterprises. The saving of over $14 million in interest on public debt was due to the successive reductions in the debt which we have been able to achieve during the last five years. That of almost $19 million in veterans benefits is attributable to

decreases in payments of rehabilitation benefits, war service gratuities and re-establishment credits. The reduction of $44 million in the charges for government-owned enterprises is due primarily to the sharp decrease in the deficits of the Canadian National Railways. Further decreases were due to the absence of any item comparable to the charges in the 1949-50 accounts for the assumption by Canada of part of the Newfoundland debt or for the write-down of certain of our active assets to non-active account. There were also other savings, and for particulars of some of these I would refer hon. members to the comparative tables of expenditures given in the white paper.

Following the practice of recent years, I have again provided for an addition of $75 million to the reserve for possible losses on our active assets. At March 31 loans, investments and other assets amounting in the aggregate to over $5,890 million were carried on the books as active assets. The reserve held against these amounted to $396 million, representing approximately seven per cent of the total. This I believe is a not unreasonable provision.

In summary, our revenues for the year just ended were $525 million more than for the preceding year, and while our expenditures also increased by $453 million we were nevertheless able to achieve a surplus of $203 million or $72 million larger than that of the year 1949-50. This surplus has involved a corresponding reduction in the net debt of Canada, and brings to $1,980 million the amount by which the government has been able to reduce the net debt during the past five fiscal years. I am sure it must be gratifying to hon. members, as it is to me, that we have been able to reduce our net debt by this substantial amount—an amount which is approximately equal to the increase in our debt during the first three and a half years following the outbreak of war in 1939.

I should also like to direct the attention of the house to that part of our financial operations which lies outside the budget proper. Cash receipts from and cash payments to the public are more significant factors than budgetary revenues and expenditures in appraising the full effects of governmental financial transactions upon the Canadian economy. With this in mind I would like to refer briefly to those items in our budgetary revenue and expenditure accounts that do not involve the receipt or payment of cash, and also to those other cash receipts and disbursements which are outside the budgetary accounts but which must be taken into account in order to appraise our over-all cash position.

In addition to the provision for our general reserve and the usual interest credits and government contributions to annuity, pension and similar accounts, we have had the transfer to revenue of the excess provision for the refundable portion of the excess profits tax, the special government contribution to the civil service superannuation account, and the revaluation of our sterling and United States dollar assets and liabilities. Moreover, the transfer of existing stocks of equipment to our north Atlantic allies under the Defence Appropriation Act has not involved immediate cash disbursements. While during 1950-51 equipment valued at $195 million was transferred, disbursements for replacements amounted to only $20 million. When we take account of the above items and other cash receipts which do not constitute revenue in the budgetary sense, we find that a total of $792 million in cash was available during the fiscal year. Against this we must take into account the substantial disbursements we have to make during the year which are not budgetary expenditures. The largest and most significant of these were the advances to the foreign exchange control board to acquire gold or United States dollars. These amounted to $475 million. We have also made substantial loans to the Central Mortgage and Housing Corporation and to veterans under the Veterans Land Act for housing and settlement purposes. In the aggregate cash payments amounting to $612 million for loans and investments and other non-budgetary purposes which would otherwise have required additional borrowing were made out of available cash resources. This left an over-all cash surplus of $181 million. By using this amount and by letting our cash balances run down by $25 million, securities amounting to $90 million were acquired for the unemployment insurance fund and certain investment portfolios of the government, and in addition we were able to retire outstanding funded debt to a total amount of $116 million.

I shall not take the time of the house to discuss the balance sheet of Canada or explain the principal changes in our asset and liability accounts. Perhaps I should say, however, that the net debt of Canada at March 31, 1951, as presently estimated, was $11,441 million, that our total unmatured funded debt at the same date was $15,027 million of which less than 3 per cent is payable in London or New York, that the average coupon rate on this funded debt was unchanged at 2·60 per cent, and that our total public debt charges for the year 1950-51 amounted to $439 million, a decrease of about $12 million from the previous year.

Financing Operations

Financial operations during the fiscal year included the redemption or refinancing of a heavy volume of matured or called bond issues in addition to the normal refunding of various issues of short-term securities.

In regard to our funded debt payable in Canada, the amount of our obligations, including refundable taxes, which matured or were called during the year, was no less than $3,771 million. We met $3,245 million of this amount by refunding or conversion into new issues, and $467 million by new borrowing in the form of Canada savings bonds and deposit certificates. The remaining cash required, $59 million, came from our cash surplus. After taking into account $22 million arising out of certain non-cash transactions, funded debt payable in Canadian dollars was reduced by $81 million during the fiscal year.

Our funded debt payable in United States dollars decreased by $74 million during the year. Of this amount $55 million resulted from the redemption on October 1, 1950, of an issue of 4 per cent bonds outstanding in the amount of $100 million (U.S.), which was refinanced in part by the issue of 2¾ per cent twenty-five year bonds in the amount of $50 million. This issue which was sold at par established a new low record for the cost of borrowing in the United States market by any foreign government. In addition, there was a reduction of $19 million in our United States dollar debt reflecting the change in the exchange rate resulting from the freeing of the Canadian dollar in September, 1950.

Our funded debt payable in sterling decreased by $5·7 million. This was in part due to the redemption of $2·9 million registered stock on May 1, 1950, and in part reflected the change in the exchange rate.

Thus, the over-all reduction in our funded debt during the year was $161 million, of which cash payments accounted for $116 million and exchange revaluations and adjustments for the balance.

Forecast of Revenue and Expenditure, 1951-52

I now come to a consideration of our revenue and expenditure prospects for the new fiscal year, 1951-52. The main estimates which I laid before the house on March 12 provided for expenditures of $3,587 million. Of this amount $1,664 million is for defence, or approximately $893 million more than the estimated outlay for defence during the year just ended. The total estimate for our non-defence programs for the new fiscal year is $1,923 million. However, there will as usual be supplementary estimates. On the other hand there will be offsets to these supplementary estimates. We shall spare no effort to achieve the maximum possible economies. Inevitably in any program of this magnitude there will be shortfalls in expenditures as compared with the estimates. The total amount of these savings is most difficult to forecast, particularly in a time of rising costs and prices but I am confident that it will be fairly substantial. Taking all relevant factors into consideration, my best estimate is that our total expenditure during the present fiscal year will be of the order of $3,700 million, and I propose to budget on that basis.

On the revenue side, I base my forecast on the expectation I have noted earlier—that our gross national product will reach $20 billion. Should production and incomes continue to rise beyond that level—as well they might—I should expect my forecast to be more than realized. Should they go not quite that high, our revenues could fall short of the estimates I am now submitting.

However, on the basis of these assumptions I would expect that if we were to make no changes in our present tax laws, our total revenue would rise to about $3,325 million during the fiscal year. I have had the usual table prepared showing a comparison of the revenue forecast for 1951-52 with the preliminary figures for the year just closed, and for the convenience of hon. members and others, I ask the consent of the house to have this table printed in *Hansard*.

Forecast of Revenue
(Before tax changes)

	Fiscal year 1951-52 (Forecast)	Fiscal year 1950-51 (Actual preliminary)
	(In millions of dollars)	
Customs import duties	$ 315·0	$ 298·0
Excise duties	245·0	245·0
Sales taxes (net)	495·0	459·1
Other excise taxes	238·0	215·9
Other taxes		
Individuals	785·0	652·0
Corporations	850·0	800·0
Interest, dividends, etc. ..	60·0	62·0
Excess profits taxes	....	10·0
Succession duties	40·0	34·0
Miscellaneous taxes	5·0	4·9
Total tax revenues	$3,033·0	$2,780·0
Non-tax revenue	$ 242·0	$ 231·8
Total ordinary revenue ..	$3,275·0	$3,012·7
Special receipts and credits	50·0	92·6
Grand total revenue	$3,325·0	$3,105·3

With estimated expenditures of $3,700 million and prospective revenues of $3,325

million it would appear that in the absence of any tax changes we would have a budgetary deficit of $375 million in 1951-52. However, before dealing with the tax changes which I shall recommend, I would like to refer to our prospective cash position and those extra budgetary cash receipts and disbursements which are so important from the economic standpoint in their impact upon our economy and in appraising the real significance of our financial operations for the year.

To this prospective budgetary deficit of $375 million we must add our probable cash disbursements for other than budgetary expenditures. In the replacement fund set up under the Defence Appropriation Act there is a balance of $175 million which is now available to the Department of National Defence for cash expenditures for the purpose of replacing existing stocks of defence equipment transferred to our north Atlantic allies during the fiscal year just ended. During the new year additional transfers to our allies are expected, but substantial cash disbursements for replacements will also be made, and these disbursements are likely to exceed the transfers to the replacement fund, although the actual amount of the excess is difficult to forecast. In addition, we shall in all probability require about $60 million for housing loans, possibly $15 or $20 million for Veterans Land Act advances, and there will undoubtedly be other loans and investments. Offsetting these will be the cash receipts in the annuity and pension funds and in the various trust and other accounts, including repayments of loans and advances made in previous years. All in all, I expect that our total non-budgetary cash disbursements will somewhat exceed our total non-budgetary cash receipts. This is apart from any transactions in our own securities, and possible advances to or repayments by the foreign exchange control board resulting from changes in the size of our exchange reserves. It is, of course, not possible to forecast with any degree of assurance the extent of any change in these exchange reserves and I shall not attempt that hazardous exercise. From what has been said, however, it seems apparent that unless the repayment of advances by the foreign exchange control board equals the net excess of non-budgetary cash disbursements over non-budgetary receipts, our over-all cash deficit, assuming no changes in our present tax structure, would exceed the estimate of our budgetary deficit I have already given.

Tax Policy

I said a moment ago that we face a prospective deficit of $375 million. The first question is, what shall we do about it? In my mind, and I think in the mind of every hon. member, the answer is clear and must be unequivocal. No person with any sense of financial responsibility and having a clear view of our circumstances and our prospects could do other than conclude that we must increase our revenues by at least the amount of the deficit, that we must balance the budget, that we must follow a strict pay-as-we-go policy.

There is, of course, a certain arbitrary element about budget statistics. We do our budget arithmetic in terms of separate periods of time—the fiscal year. In reality the stream of income and the stream of expenditure are continuous though always changing. In some months the inflow exceeds the outflow, in others the process is reversed. Since the summer of 1950 the volume of flow in both streams has been steadily rising, though at varying rates. A year ago our total expenditures were $2·4 billion, in the year just closed they were $2·9 billion, this year they will be $3·7 billion. It will be clear that during the last few months of the past year the flow of expenditure was at a rate considerably above $2·9 billion a year, and during the last half of this fiscal year it will probably be running at a rate of about $3·9 billion a year.

It is my duty, therefore, to seek new revenues which will produce actual additional receipts of about $400 million in this fiscal year, but which will be yielding at a rate of about $600 million a year during the last six months of the year.

The next question is one of ways and means. It is generally agreed, I think, that we have an excellent basic tax structure. We arrived at this basic structure through a series of changes completed in 1948 and 1949. It consists of a well balanced blend of personal income taxes, corporation income taxes, succession duties and commodity taxes. The commodity taxes in turn comprise customs duties, the so-called general sales tax and the special excise taxes. This structure was designed to be simple and flexible, one that could be readily adapted by moderate changes in rates or in coverage to meet any reasonable scale of peacetime requirements.

I am reluctant to believe that we must inevitably face budgets of $4 billion or more for any considerable succession of years. There is still a possibility that reasonable solutions of the present international tensions may be developed. In another year's time we should have a clear view of the prospects. I have, therefore, decided not to recommend

any major reconstruction of our tax system this year but instead to meet our current requirements by a series of simple but adequate surcharges on several existing taxes and also to widen the coverage of our special excise taxes. I think that over the shorter run this method of defence surcharges will produce the necessary revenue with the least difficulty and inconvenience. If our optimistic hopes are realized it will be easy to reduce these surcharges or to drop them entirely, but I want to add that if it becomes clear that we are in for a long pull at these high levels of expenditure some major changes in the existing tax structure may have to be devised. My tax proposals, therefore, must be regarded as an interim policy for the period of the current year.

In proposing tax changes in times like these we must give consideration to the effects of the inflationary forces at work. Our principal economic objectives at this time must be greater efficiency, greater output, less non-essential capital investment, moderation in consumer spending, and an increase in personal savings. At the same time we would all wish to retain as free and as flexible an economic system as possible. Taxes operate on the economic system by diverting part of the income stream and by altering price relationships, and they have the effect of varying the intensity of incentives to produce and to spend or save. Any tax change will have some effect on incentives, or on spending, or on saving. Our problem is to get a good balance between taxes on earnings and taxes on spending. Taxes on spending, that is, taxes on commodities, do not adversely affect incentives to produce. In the case of taxes on commodities, government revenue is obtained not by reducing private income, but by placing a surcharge on private expenditure of certain kinds. This type of taxation has the advantage that it does not adversely affect the incentive to earn income, that is, to produce, and it does offer the consumer some choice as to whether he will spend, and pay the tax, or whether he will save and to that extent avoid the tax.

As I said earlier, the three principal inflationary forces presently at work in Canada are the rising prices outside Canada, the domestic capital investment boom which shows no signs of abating, and the fact that consumer spending power is outrunning the flow and production of consumer goods and services. There is little we can do about rising external prices, but we can do a good deal about the two domestic pressures and we have already done a good deal.

Consumer expenditures are being restrained by consumer credit regulations, as well as by the higher taxes introduced last September, and will be further affected by the higher taxes I shall be proposing a little later this evening. Taken together we think that these measures are adequate to the circumstances.

Heavy capital expenditures, on the other hand, are providing the most severe internal pressure and all signs point to increasing pressure from this source. In 1950 they were much more than double 1946 and 50 per cent above 1947. The reported capital expenditure plans for 1951 indicate intentions to increase them by a further 15 per cent over 1950, but it may be doubted whether such an increase is physically possible.

Capital expenditures are much more difficult to hold within bounds. Monetary and credit policies are having a restraining effect, but a large proportion of business corporations still have a highly liquid position and to that extent are less affected by these financial controls. The increases in corporation income taxes which I shall be proposing will drain off substantial amounts of corporate profits but the total volume of profits remaining in corporate hands will still be sufficient to maintain and, in some cases, to increase the capacity of corporations to plan additional capital investment without recourse to borrowed funds. Ordinarily this is a good thing both for the corporations and for the country, but under present conditions all expenditures of this sort that are not essential should be postponed.

Steel and related controls will place considerable restraints on less essential capital expansion, but they will not directly affect certain kinds of investment. In fact they could have the result of intensifying competition for such other materials and labour as are available. To embark upon all-out direct construction control would be an almost impossible task, as the experience of 1944-45 indicated.

What we need is a stiff financial deterrent that will affect particularly the businessman who is considering the kind of investment which is attractive, not because of its long-term soundness, but because it can be written off out of the expected high profits of the next few years at a time when he expects the rate of corporate income tax to be abnormally high.

To provide this deterrent it is proposed to defer for a period of four years the right to charge depreciation on all capital assets

acquired after April 10, 1951, excepting certain classes of assets defined in the regulations and certain additional kinds of assets when certified as eligible by the Minister of Trade and Commerce.

The principal classes of assets which will still be eligible for current depreciation without a certificate will be those acquired

(a) for the production and distribution of electricity, gas and water; the provision of telegraph and telephone services; pipe lines, gas and oil well equipment; lumbering equipment; patents and franchises.

(b) for use by individuals in farming, fishing, or a professional service.

The principal kinds of assets in respect of which the Minister of Trade and Commerce will be authorized, in his discretion, to issue certificates of eligibility for current depreciation will be those necessarily acquired for

(a) defence purposes;

(b) the production and distribution of primary products in the farming, fishing, mining, petroleum, lumber and pulp and paper industries;

(c) direct use in a transportation or communication business.

Under the proposal, the right to charge depreciation as an expense is deferred, not cancelled or even diminished. For example, $10,000 of ineligible assets acquired after April 10, 1951, will earn no depreciation for tax purposes during the next four years; but in 1955 it can be transferred to the depreciable asset account at its full original cost. If it is a type of asset that can be written off in, say, 10 years, it will be written off in 1955-64 instead of in 1951-60.

The deterrent will particularly affect the businessman whose decision to make a capital expenditure is strongly influenced by the expectation that he can write off a large fraction of his cost at a time when both profits and tax rates are abnormally high, particularly if it is a kind of investment with uncertain profit-making possibilities six or eight years hence. In other words it will compel the businessman to give primary attention to the long-term prospects of proposed capital expenditures and if outside financial participation is required lenders will also take this view.

There will, therefore, be a stiff deterrent on projects of uncertain long-run value and also on capital expenditures on frills, gadgets and generally "dressing up" offices, stores and buildings. This deterrent should reduce the competitive scramble for scarce materials and equipment and thus place less strain on direct controls. Such materials and equipment will tend to go to those who can make the best long-term use of them. Bidders who are anticipating short-run quick profits will tend to withdraw from the market. One further advantage is that the government will not be telling anyone that he cannot do this or that. What will happen is that a financial penalty will be put, in the short run, on those who go ahead with less essential expenditures.

These revised depreciation regulations will go into effect immediately and will apply to all capital assets acquired after April 10, 1951. A copy of the regulations which have been approved by the governor in council will be tabled at the close of my address and my colleague, the Minister of Trade and Commerce, will be issuing an explanatory statement within a day or two.

I turn now to my proposals for tax changes for this year.

The field of the corporation income tax is a difficult one, and one which I have to approach with a particularly keen sense of responsibility for the real national interest, because the general public does not, I am afraid, fully understand the implication of these taxes. It would be only too easy to take a superficially popular line and increase these taxes to a point which while yielding large immediate revenues would do grave damage in the longer run to the economy as a whole.

I shall not repeat what I said about the excess profits tax last September. I still believe that it is not a sound tax except under very special circumstances, and I do not believe we have reached that point. A part of what I said about the excess profits tax, namely, that it blunts the goad to efficiency and that it invites waste, applies also to high rates of corporation income tax. It is, of course, a question of degree. I say quite frankly, however, that I am not happy about corporation tax rates when they go over 50 per cent. I think it is bad psychology to permit people to say that more than half of any income earned, or any savings made will go to the government.

There is also the point that corporation taxes involve double taxation; we tax the corporation on its profits, and then we tax the shareholder again on his dividends. Moreover, we have always relied on undistributed corporation profits to provide a large fraction of the capital required for expansion of our industries. At this juncture in our

affairs, with heavy capital investment contributing to inflationary pressure, I shall not be too much concerned if higher tax rates leave less for reinvestment, but in the long run it is a good thing for the country that business should grow out of reinvested profits.

Having weighed all these factors I have come to the conclusion that the right policy at this time is to impose a defence surcharge of 20 per cent on all corporation income tax payments in respect of income earned after January 1, 1951, in addition to the 5 per cent higher tax rate imposed last September. This 20 per cent surcharge will apply only to profits now taxed at the 38 per cent rate. It will not apply to the rate of 15 per cent which applies to the first $10,000 of profits.

I am conscious of the fact, however, that this 20 per cent surcharge will weigh very heavily on those kinds of companies which for a variety of reasons, public control of rates or otherwise, are never able to earn more than a very modest rate on their capital. To such companies the next few years can offer little expectation of increased profits, yet many of them are engaged in activities which will require them to raise very large sums of additional capital for essential expansion. If we are not to cripple their borrowing capacity we must not cripple their capacity to earn their normal profits after tax. For these reasons I propose that the 20 per cent defence surcharge shall not operate so as to reduce the net income after federal tax, but before any provincial income taxes, of any company to a point below a five per cent return on capital employed.

Apart from this abatement the effect of the 20 per cent defence surcharge is to raise the rate of tax on all profits over $10,000 from 38 per cent to 45·6 per cent. It must be remembered that there are also provincial corporate income taxes. In the eight provinces with tax rental agreements it is five per cent, and in Ontario and Quebec it is seven per cent. This means that the marginal rate of combined tax will be just over 50 per cent in eight provinces, 52·6 per cent in Ontario and Quebec.

If this 20 per cent defence surcharge were applied to all profits its yield would be about $115 million in this fiscal year, and about $170 million in a full year. The abatement I have mentioned will cause some reduction in this yield. On the other hand, we shall pick up some additional current revenue incidental to the policy I have announced regarding deferred depreciation. What this amount will be cannot be more than an informed guess. I am inclined to the view that this increased revenue will be rather more than the loss from the abatement of the surcharge and I have, therefore, put down $116 million this year and $175 million in a full year as my increased revenue from the corporation income tax.

There will in addition be a number of technical changes in the law covering corporation taxes, but none of these will have any significant economic or budgetary implications.

I turn now to the personal income tax. In line with my earlier statement that I wish to upset the present tax structure as little as possible this year, I am proposing to leave the exemptions and the percentage rate structure unchanged and rely upon a straight defence surcharge for the revenues we require. This surcharge will be 20 per cent on the amount of tax payable under the present rate structure and will take effect as from July 1, 1951. This means that the tax payable for the whole calendar year of 1951 will be increased by ten per cent, but commencing July 1 all payroll deductions will be one-fifth greater than in the present deduction tables and all other pay-as-you-earn instalments will be increased by one-fifth. With the permission of the house I shall insert in *Hansard* at this point the usual tables illustrating the effects of this surcharge.

Present and Proposed Income Tax
Single Taxpayer

Income	1950 Tax	1951 Tax	Increase in Tax In 1951	Increase in Tax In a Full Year
$	$	$	$	$
1,000	......	......	....	....
1,200	30	33	3	6
1,500	75	83	8	15
1,800	120	132	12	24
2,000	150	165	15	30
2,250	193	212	19	39
2,500	235	259	24	47
2,750	278	306	28	56
3,000	320	352	32	64
3,500	415	457	42	83
4,000	510	561	51	102
5,000	700	770	70	140
7,500	1,270	1,397	127	254
10,000	1,960	2,156	196	392
20,000	5,960	6,556	596	1,192
30,000	10,660	11,726	1,066	2,132
50,000	21,814	23,995	2,181	4,363
75,000	37,264	40,990	3,726	7,453
100,000	53,714	59,085	5,371	10,743
200,000	126,414	139,055	12,641	25,283
400,000	283,114	311,425	28,311	56,623

Note: In calculating the above taxes it has been assumed that all incomes up to $30,000 are entirely earned incomes, and that incomes of more than $30,000 include income of that amount and additional investment income to make up the total. No account has been taken of the 10 per cent tax credit for dividends from Canadian corporations.

Present and Proposed Income Tax

Married Taxpayer—No Children

Income	1950 Tax	1951 Tax	Increase in Tax In 1951	In a Full Year
$	$	$	$	$
2,000	......	......	....	....
2,250	38	42	4	8
2,500	75	83	8	15
2,750	113	124	11	23
3,000	150	165	15	30
3,500	235	259	24	47
4,000	320	352	32	64
5,000	510	561	51	102
7,500	1,030	1,133	103	206
10,000	1,660	1,826	166	332
20,000	5,510	6,061	551	1,102
30,000	10,160	11,176	1,016	2,032
50,000	21,264	23,390	2,126	4,253
75,000	36,664	40,330	3,666	7,333
100,000	53,064	58,370	5,306	10,613
200,000	125,714	138,285	12,571	25,143
400,000	282,364	310,600	28,236	56,473

Note: In calculating the above taxes it has been assumed that all incomes up to $30,000 are entirely earned incomes, and that incomes of more than $30,000 include income of that amount and additional investment income to make up the total. No account has been taken of the 10 per cent tax credit for dividends from Canadian corporations.

Present and Proposed Income Tax

Married Taxpayer with Two Children Eligible for Family Allowances

Income	1950 Tax	1951 Tax	Increase in Tax In 1951	In a Full Year
$	$	$	$	$
2,300	......	......	....	....
2,400	15	17	2	3
2,500	30	33	3	6
2,750	68	75	7	14
3,000	105	116	11	21
3,500	184	202	18	37
4,000	269	296	27	54
5,000	453	498	45	91
7,500	964	1,060	96	193
10,000	1,582	1,740	158	316
20,000	5,375	5,913	538	1,075
30,000	10,010	11,011	1,001	2,002
50,000	21,099	23,209	2,110	4,220
75,000	36,484	40,132	3,648	7,297
100,000	52,869	58,156	5,287	10,574
200,000	125,504	138,054	12,550	25,101
400,000	282,139	310,353	28,214	56,428

Note: (1) The above figures show the actual income tax liability of a taxpayer with family allowance children but in order to arrive at his true net position the amount of family allowances received for his children must be offset against his tax liability.

(2) In calculating the above taxes it has been assumed that all incomes up to $30,000 are entirely earned incomes, and that incomes of more than $30,000 include income of that amount and additional investment income to make up the total. No account has been taken of the 10 per cent tax credit for dividends from Canadian corporations.

When hon. members have an opportunity to study these tables they will find, for example, that the married man with no children earning $2,500 will have his tax increased by something less than 30 cents a week. The $5,000 a year man will pay an additional $8.50 a month; the $10,000 a year man will pay an additional $28 a month, and so on. Starting July 1 every taxpayer will pay a rate one-fifth higher than he has been paying. This 20 per cent defence surcharge on personal incomes should yield $85 million this year, and $158 million in a full year.

There will be a number of other amendments to the Income Tax Act.

Authority will be requested for a simplified income tax system for members of the armed forces under which their full income tax liability in respect of service pay may be met by appropriate deductions from their monthly pay.

Expenditure on certain drugs will be allowed in computing deductible medical expenses.

Provision will be made for the deduction, in computing income from wages and salaries, of professional membership dues and certain other cost items where the professional status is required to be maintained by the terms of the employment or where such costs are required by the contract of employment to be assumed by the employees. Similarly, provision will be made for the deduction of union dues.

The 15 per cent tax on undistributed income of private companies will be made available to all companies, but the right of controlled companies to pay in respect of surpluses accumulated from 1950 onward will be withdrawn.

The right of corporations to file consolidated returns will be withdrawn in respect of taxation years ending after December 31, 1950.

The special provisions regarding exploration expenses incurred by mining and oil companies will be extended for a further year.

Minor adjustments will be made in respect of lump sum accumulations of income received in a year, investment counsel fees, charitable foundations, farm losses and "related companies".

A few other technical amendments will be contained in the bill but I need not refer to them at this time. As hon. members will note, some of the above amendments will increase revenue and others will decrease it. On balance I estimate a net increase in revenue from all these items of about $10 million.

I turn now to our third broad field of taxation, that of commodity taxes.

We propose to make no changes in the present scale of taxes on alcoholic beverages. Last September we increased these taxes by $22 million a year. The rates are now high, and I am aware that whenever we change these taxes we impose a good deal of inconvenience and some confusion upon the provincial authorities.

We propose, however, to increase the taxes on cigarettes and on manufactured tobacco. The cigarette tax is now $10 per thousand, and I am recommending an increase of $1.50 or a total of $11.50 per thousand, effective midnight tonight. This change will yield us $21 million this year and $26 million in a full year.

For some years now we have had a tax on cigarette papers and cigarette tubes which are used by those who "roll their own". This tax has become difficult to administer. I propose to repeal this tax and substitute for it a higher tax on manufactured tobacco. To keep a reasonable proportion between the traditional relationship between the taxes on cigarettes and tobacco I am recommending an increase of 48 cents a pound on manufactured tobacco. A proportionate increase is also proposed with respect to the tax on raw leaf tobacco. I estimate that these changes will give us an additional $8 million this year and $9 million in a full year over and above the loss of revenue on cigarette papers and tubes.

Next I come to what we call the special excise tax, that is the tax now imposed at a rate of 15 per cent on such things as motorcars, radios, household electric appliances, cameras, jewellery, cosmetics and so on. We propose that this tax be increased to a rate of 25 per cent.

The house will also recall that last September we deliberately decided not to place this special tax on refrigerators, stoves and washing machines. I regret that we can no longer afford to leave these entirely free of extra tax, and I am recommending that a tax at 15 per cent be levied on all mechanically operated domestic refrigerators and washing machines and on all domestic cooking stoves except those designed to use coal or wood only.

In September a tax of 30 per cent was imposed on all candy, confectionery and chewing gum. Experience has shown that this rate has been too severe, and its effects upon the industry have been out of proportion in comparison with other taxed industries. We propose, therefore, to reduce this rate to 15 per cent.

These, like all other commodity tax changes, will be effective at midnight tonight.

As usual I must give public notice that no claims for refund arising out of tax reductions in respect of goods on which tax has been paid will be entertained by my colleague, the Minister of National Revenue.

I estimate the increase from 15 per cent to 25 per cent in existing taxes after taking account of the reduction in the tax on candy will yield an extra $44 million this year and $54 million in a full year. The new items to be taxed at 15 per cent should produce about $16 million this year and $21 million in a full year.

Finally I have given very careful thought to the so-called general sales tax. I say "so-called general sales tax" because it is really very far from being such. Our present sales tax has a very long list of exemptions. About ninety-five per cent of all foods are free of sales tax. All fuels and all building materials are exempt. I think it is safe to say that two-thirds of the average Canadian family's total spending is not touched by the sales tax. Contrary to the frequent assertion, the sales tax does not strike a higher proportion of the expenditures of the low income group. Calculations based on recent family budget studies made by the dominion bureau of statistics indicate that in the lowest income groups only about one-quarter of total income is spent on goods subject to sales tax; at the $3,000 a year level about one-third of the family income is spent on goods subject to this tax. This 33 per cent of income spent on taxed commodities extends to beyond the $6,000 a year level. Only when incomes exceed $7,000 or $8,000 a year does the proportion of income spent on goods subject to sales tax start to decline, and this is just about the point where our income tax starts to become sharply progressive. To say that our sales tax is a harsh regressive tax simply is not true.

If hon. members have succeeded in following my estimates of additional tax yields they will realize that my proposals so far leave me about $100 million short of my necessary objective of $400 million to balance this year's budget. My range of choice to secure this remaining $100 million is really limited to more than doubling the increase I have already proposed in the personal income tax, which could only be achieved by a sharp lowering of exemption levels, or an increase in the sales tax. I do not say that we have reached the practicable limits of the income tax. Of course we have not. The new rates we are proposing are much below the peak rates of 1943 and 1944. But experience has shown that you cannot increase income taxes by too much in any one year without creating serious embarrassment to large numbers of people in all income groups, and without seriously affecting economic incentives.

I have therefore come to the conclusion that the sound thing to do from the economic point of view, and the fair thing at this time, is to increase the sales tax. I believe also that this is the choice that will be preferred by the great majority of our people. We are not recommending any change whatever in the coverage of the sales tax, but we are proposing that its rate be increased from 8 per cent to 10 per cent, effective immediately. I estimate that this will yield additional revenue of $105 million this year and $125 million in a full year.

Finally, I have certain tariff changes to propose. The tariff negotiations which have been taking place at Torquay during the past six months have just been concluded. The purpose of these negotiations was to extend the Geneva and Annecy agreements for another three-year period, to increase the scope of these agreements by including more countries and a wider range of commodities, and further, to arrange for additional reciprocal concessions on products previously negotiated. The Canadian delegation has concluded negotiations, providing for further reciprocal concessions, with sixteen countries including the United States. It has been arranged between the countries represented at Torquay that the details of the agreements resulting from the negotiations will be announced by the participating governments on May 9. Consequently I am not in a position to review the results at this time.

The budget resolutions relating to the customs tariff which I am tabling contain proposals to carry out certain recommendations of the tariff board and to provide for reductions in a number of duties which would lower costs of production in our great primary industries of agriculture, mining and fishing. Other changes proposed would achieve improvements in the wording and classification of several items so as to remove anomalies and to facilitate administration.

Two years ago I referred the plastics and synthetic resin items in the tariff to the tariff board for inquiry and report. These items were last examined by the board in 1937. In view of the rapid technical changes which have been taking place in this new and expanding industry, it is not surprising that the existing items in the tariff have become obsolete. Because of the highly technical factors involved and the complexity of the problem I felt it particularly desirable to have a thoroughgoing inquiry by the tariff board before recommending any action. The exhaustive examination which the board has undertaken is not yet completed, but the board is of the opinion that there are certain special and pressing difficulties which should be dealt with at this time. Consequently the board has submitted an interim report in which it recommends the insertion of certain items into the tariff prior to submission of its full conclusions covering the whole of the synthetic resins and plastics field. I have included these recommendations in the changes which I am proposing in the budget resolutions. The board's recommendations are designed to achieve up-to-date provisions respecting both classification and rates. The rates recommended involve some increases and some decreases in existing rates of duty. The reasons which led the board to recommend these readjustments are fully set out in its interim report which I am tabling with the budget resolutions.

The other tariff proposals include changes which would widen the application of certain items pertaining to farm equipment. They would provide for the free entry of such things as grain or hay driers, individual sprinkler irrigation systems and several items of dairy equipment when for use on the farm. Most of these were recommended to the government in the brief submitted by the federation of agriculture. The free entry of these items would be of considerable assistance to our farmers and is in accord with the government's policy, stated by my predecessor, Right Hon. J. L. Ilsley in his budget speech of 1944, regarding the free entry of farm implements and machinery.

In respect of the fishing industry two changes are proposed. One would permit the free entry of diesel engines for installation in boats used exclusively for commercial fishing operations and the other would widen the provision for free entry of nets and lines to include nets and lines made of any material. Both my colleague, the Minister of Fisheries, and I have received many representations that these changes would be of significant assistance to the fishing industry. In view of the heavy dependence of the industry upon export markets it is in the general interest to reduce, wherever practical, tariff barriers which add to costs.

The changes proposed in the customs tariff affecting equipment used in the mining industry would widen the existing provisions to permit the entry of unfinished parts of the equipment specified, at the same reduced rates as are now granted to the fully finished parts. In a number of cases the provisions would be extended to cover additional items of equipment used in mining operations.

An amendment is proposed to the tariff item dealing with settlers' effects. A number of countries from which we seek to obtain immigrants find it necessary, owing to the

shortage of exchange, to apply restrictions on the transfer of emigrants' capital. These restrictions have operated as a deterrent to the movement of desirable immigrants into Canada. The new subsection which I am proposing to add would, in these cases, permit the free entry of settlers' effects during a period of three years from the time of the settler's first arrival. This would enable the settler to use his frozen capital to purchase and bring in from his country of origin such things as household effects, wearing apparel, tools of trade and agricultural equipment, after the settler has been here and has had an opportunity to decide what he and his family need most urgently. This new provision should make it possible for many desirable immigrants to establish themselves more rapidly in productive activity in this country.

Finally, I am proposing an amendment to tariff item 708. This would remove obsolete language and would enable the government to carry out reciprocal customs arrangements regarding certain matters with other signatories of the North Atlantic treaty. These would apply to supplies for defence establishments located in one another's territory in accordance with jointly agreed plans for our common defence.

The net effect of all these tariff changes on the total of all customs revenues will not be significant.

I think it will be convenient to hon. members if I insert at this point a table summarizing the revenue effect of all these tax changes.

Effect on Revenue of Proposed Tax Changes

	In Fiscal Year 1951-52		In a Full Year	
	$		$	
	(millions)			
Personal income tax				
20 per cent surtax ...	...	85·0	...	158·0
Corporation income tax				
20 per cent surtax and deferred depreciation	...	116·0	...	175·0
Other income tax changes	...	10·0	...	10·0
Sales tax				
Increase in rate to 10 per cent	...	105·0	...	125·0
Excise taxes				
Increase in 15 per cent rate to 25 per cent ..	52·0	...	63·0	...
Reducing confectionery tax to 15 per cent ..	–8·0	...	–9·0	...
Net increase		44·0		54·0
New 15 per cent tax on refrigerators, stoves and washing machines	...	16·0	...	21·0
Increase in cigarette tax	...	21·0	...	26·0
Increase in tobacco tax	14·0	...	17·0	...
Repeal of tax on cigarette papers	–6·0	...	–8·0	...
Net increase		8·0		9·0
Total		405·0		578·0

It will be noted that in a full year I expect to get an additional $185 million from corporation taxes, $158 million from personal income taxes and $235 million from commodity taxes. In this fiscal year, largely because of the three-month lag in income taxes, I expect to get $126 million from corporations, $85 million from personal income tax and $194 million from commodity taxes.

As usual at this point I should like to insert another table showing a revised estimate of total revenues for 1951-52 after giving effect to the proposed tax changes.

Revised Forecast of Revenue for Fiscal Year 1951-52 Taking Account of Tax Changes

	Forecast of revenue from existing taxes	Increase in revenue in fiscal year 1951-52 from budget proposals	Revised forecast of revenue for 1951-52
	$	$	$
		(millions)	
Customs duties	315·0	....	315·0
Excise duties	245·0	....	245·0
Sales tax (net)	495·0	105·0	600·0
Other excise taxes	238·0	89·0	327·0
Personal income tax	785·0	85·0	870·0
Corporation income Tax	850·0	126·0	976·0
Interest and dividends	60·0	....	60·0
Succession duties ...	40·0	....	40·0
Miscellaneous taxes .	5·0	....	5·0
Total tax revenue..	3,033·0	405·0	3,438·0
Non-tax revenue ..	242·0	....	242·0
Total ordinary revenue	3,275·0	405·0	3,680·0
Special receipts	50·0	....	50·0
Total receipts	3,325·0	405·0	3,730·0

This table shows estimated revenues at $3,730 million. Earlier in my speech I forecast our total expenditures at $3,700 million. I am therefore budgeting for a surplus of $30 million.

I should repeat, Mr. Speaker, that all these estimates assume a high level of employment throughout the country, at least average agricultural crops, and a basic price level not very much higher than that which now prevails.

These then are the proposals which we recommend to the house in order to meet our financial requirements. None of us can tell what the future has in store. The taxes we have proposed should yield total revenues of about $3,900 million in a full year. It would be too bold to hope that conditions a year hence will permit any reductions in these rates of tax. There can be some hope, but certainly no assurance, that tax rates next year may not have to go higher.

It is an inexorable rule of life that we can never really get something for nothing. Nothing is really free. Everything worth while has its costs. Tonight is the annual occasion when we count up the cost of our policies in terms of money. That cost is high, but failure to achieve our objectives of peace, security and financial integrity would involve infinitely greater and more painful cost.

Mr. Speaker, I wish to table the various resolutions which I shall move when the house is in committee.

INCOME TAX ACT

Resolved that it is expedient to introduce a measure to amend the Income Tax Act and to provide, amongst other things:

1. That, in respect of income earned after the commencement of the 1951 calendar year, a corporation shall pay a defence surtax for the year equal to 20 per cent of that portion of its ordinary income tax for the year that is computed at the 38 per cent rate, or the 33 per cent rate if applicable, (before allowance is made for tax credits) subject to a right to a refund of such tax to the extent that it would reduce the corporation's taxable income after payment of ordinary income tax to an amount less than 5 per cent of its capital employed.

2. That an individual shall pay a defence surtax equal to

(a) for the 1951 taxation year, 10 per cent and

(b) for each subsequent taxation year, 20 per cent of his ordinary income tax (including investment surtax) for the year before allowance is made for tax credits.

3. That, for the purpose of computing income from an office or employment for the 1951 or a subsequent taxation year, there may be deducted certain amounts paid in respect of

(a) travelling expenses that the officer or employee was required by the contract of employment to incur,

(b) professional membership dues where the officer or employee was required by the contract of employment to maintain his professional status,

(c) office rent or salary to an assistant or substitute required by the contract of employment to be paid by the officer or employee,

(d) supplies consumed directly in the course of the employment for which the officer or employee was required by the contract of employment to pay, or

(e) Union dues.

4. That the governor in council be authorized to make regulations under which the income tax of members of the armed forces on their service income will be paid in full in respect of the pay and allowances of each pay period by a deduction therefrom in accordance with a special table subject to the right of any member to file a return on an annual basis.

5. That the right to elect to pay the 15 per cent tax on its undistributed income now enjoyed by a private company

(a) be extended to all other corporations, and

(b) be withdrawn, effective April 10, 1951, from a corporation that is controlled by another corporation except in respect of its undistributed income on hand at the end of the 1949 taxation year.

6. That for the 1951 and subsequent taxation years the provision under which the 15 per cent tax rate on the first $10,000 of income of a corporation applies to only one of several related corporations be amended so as not to include in the class of related corporations those controlled by persons not dealing at arms length unless such persons own shares in the capital stock of both corporations.

7. That for the 1951 and subsequent taxation years, payments made for insulin, cortisone, adrenocorticotrophin (ACTH), liver extract injectible for pernicious anaemia and vitamin B12 for pernicious anaemia purchased under a physician's prescription may be included in the medical expenses for which a deduction from income may be made for the purpose of computing taxable income.

8. That special deductions from income to taxpayers whose principal business is the production, refining or marketing of petroleum or petroleum products or the exploring or drilling for oil or natural gas or mining or exploring for minerals, be allowed for expenses incurred in the 1954 operations on the same basis as for expenses incurred in the operations in the years 1951 to 1953.

9. That special deductions from income and taxes to taxpayers whose principal business is production, refining or marketing of petroleum or drilling for petroleum be allowed for expenses incurred in respect of deep-test oil wells in 1952 operations on the same basis as for similar expenses in 1950 and 1951 operations.

10. That the exemption of the income from a metalliferous or industrial mineral mine for the first three years of production now applicable to mines that came into production during the years 1946 to 1952 be extended to mines coming into production in the years 1953 and 1954.

EXCISE TAX ACT

Resolved, that it is expedient to introduce a measure to amend the Excise Tax Act and to provide:

1. That the rate of the general sales tax be increased from eight to ten per cent and that the rate of sales tax on those articles at present subject to four per cent be increased to five per cent.

2. That the excise tax on goods mentioned in Schedule I of the Act, and on furs, that are at present subject to the rate of fifteen per cent be increased to twenty-five per cent.

3. That the excise tax on candy, chocolate, chewing gum and confectionery that may be classed as candy or a substitute for candy, be reduced from thirty to fifteen per cent.

4. That there be imposed, levied and collected an excise tax of fifteen per cent on the following goods when adapted to household or apartment use:

(a) stoves, hot plates, grills and other appliances when adapted wholly or in part for cooking and when designed for using other than solid fuels

(b) washing machines operated by electric or other power;

(c) electric, gas or kerosene refrigerators and freezing equipment and complete parts therefor including coils, condensing or compressor units, motors, cabinets, boxes, evaporators and expansion valves.

5. That the excise tax on cigarette papers and cigarette paper tubes be repealed.

6. That the excise tax on the following goods be increased by the amounts shown:

(a) for each five cigarettes or fraction of five cigarettes contained in any package............. three-quarters of one cent;

(b) for each ounce or fraction of an ounce of manufactured tobacco, including snuff but not including cigars and cigarettes, contained in any package........three cents;

(c) for each ounce or fraction of an ounce of Canadian raw leaf tobacco when sold for consumption in Canada..........three-quarters of one cent.

7. That the sales tax on the following goods be repealed:—

(a) cortisone;

(b) adrenocorticotrophin (ACTH).

8. That any enactment founded upon this Resolution be deemed to have come into force on the eleventh day of April nineteen hundred and fifty-one.

CUSTOMS TARIFF

1. Resolved, That schedule A to the Customs Tariff, being chapter fourty-four of the Revised Statutes of Canada, 1927, as amended, be further amended by striking thereout tariff items 216f, 296e, 386(p), 403(e), 409f, 410g, 410h, 410i, 410j, 410l, 410o(i), 410p, 410q, 410r, 410s, 410t, 410u, 410v, 410w, 410x, 410z, 435, 440k, 475, 523g, 682, 705, and 708, the several enumerations of goods respectively, and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:

Tariff Item	—	British Preferential Tariff	Most Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
216f	Materials of a kind not produced in Canada when imported for use only in the manufacture of the goods specified in tariff items 237*(a)*, *(b)*, *(c)* and *(d)*, 238, 238*a*, 238*b*, 238*c*, 238*d*, 238*e*, 238*f* and 238*g*..........	Free	Free	Free	Free (various)	Free (various)	Free (various)
238	Synthetic resin sheets, film or sheeting, not less than 6 inches in width, n.o.p., synthetic resin lay-flat tubing, not less than 6 inches in circumference, n.o.p:—						
	(a) Phenol-aldehyde type, not further manufactured than cast..............................	Free	Free	Free			
	(b) Acrylic type, not further manufactured than moulded or cast............................	Free	Free	Free			
	(c) Polyethylene type						
	(i) Plain, uncoated, undecorated...............	10 p.c.	10 p.c.	10 p.c.			
	(ii) Other..	15 p.c.	15 p.c.	15 p.c.	Free 15 p.c.	Free 20 p.c.	Free 25 p.c.
	(d) Vinyl type, except vinylidene						
	(i) Plain, uncoated, undecorated...............	15 p.c.	15 p.c.	15 p.c.			
	(ii) Other..	15 p.c.	20 p.c.	25 p.c.			
	(e) Vinyl type, vinylidene						
	(i) Plain, uncoated, undecorated...............	Free	Free	Free			
	(ii) Other..	Free	Free	Free			
	(f) Other type						
	(i) Plain, uncoated, undecorated...............	Free	Free	Free			
	(ii) Other..	10 p.c.	10 p.c.	10 p.c.			
277	Oils, hydrogenated, blown, dehydrated or sulphonated, not including blown or hydrogenated fish seal or whale oils..............................	15 p.c.	20 p.c.	25 p.c.	15 p.c.	To August 27th, 1950 20 p.c.	25 p.c.
					Various	From August 28th, 1950 Various	Various
296e	Magnesium oxide and magnesium carbonate, not further manufactured than ground, when imported by manufacturers of insulating materials for use exclusively in the manufacture of such insulating materials, in their own factories..................	Free	Free	Free	Free Free	Free 15 p.c.	Free 25 p.c.

Tariff Item	—	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget: British Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Budget: Most Favoured-Nation Tariff	Rates in Effect Prior to Rates Proposed in this Budget: General Tariff
386	(*p*) Sheets or strip, of iron or steel, hot or cold rolled, with silicon content of ·075 per centum or more, when imported by manufacturers of electrical apparatus or of parts therefor, for use in the manufacture of electrical apparatus or of parts therefor, in their own factories........	Free	$12\frac{1}{2}$ p.c.	$12\frac{1}{2}$ p.c.	Free $7\frac{1}{2}$ p.c.	$12\frac{1}{2}$ p.c. 20 p.c.	$12\frac{1}{2}$ p.c. 20 p.c.
403	(*e*) Steel wire, coated or not, when imported by manufacturers of machine card clothing for use exclusively in the manufacture of machine card clothing, in their own factories..........	Free	Free	Free	Free 15 p.c.	Free 30 p.c.	Free 30 p.c.
409f	Grain crushers; grain or hay grinders; grain or hay dryers; milk coolers; steel stanchions for confining livestock either in pens or individually, including complete equipment for milking parlors; automatic stock watering bowls; barn litter carriers and track; sprinkler irrigation systems; barn hay forks, carriage, pulleys and track; all the foregoing for use on the farm for farm purposes only; hay loaders, hay tedders, potato planters, potato diggers, fodder or feed cutters, ensilage cutters, post hole diggers, snaths, stumping machines, grain loaders or elevators with a capacity not exceeding 40 bushels per minute and all other agricultural implements or agricultural machinery, n.o.p., and complete parts of all the foregoing..........	Free	Free	Free	Free 20 p.c. Free 15 p.c. 20 p.c. 10 p.c. Free Free 15 p.c. Free 15 p.c.	Free 20 p.c. $22\frac{1}{2}$ p.c. $22\frac{1}{2}$ p.c. $22\frac{1}{2}$ p.c. 25 p.c. 10 p.c. 15 p.c. 20 p.c. 20 p.c. $22\frac{1}{2}$ p.c.	Free 30 p.c. 30 p.c. 30 p.c. 30 p.c. 35 p.c. 35 p.c. 35 p.c. 30 p.c. 30 p.c. $37\frac{1}{2}$ p.c.

410a	(iv) Mine car loaders, self-propelled, single-bucket type, the bucket of which loads at the front and moves over the loader to discharge at the rear, n.o.p., and parts thereof, for use exclusively in mining operations..............................	Free	$12\frac{1}{2}$ p.c.	35 p.c.	10 p.c.	25 p.c.	35 p.c.
410g	Articles for use exclusively in the metallurgy or smelting of iron, viz.: machinery and apparatus for sintering or nodulizing iron ore, concentrated or not, or flue dust; machinery and apparatus for use exclusively in the construction, equipment and repairs of blast furnaces for smelting iron ore, such machinery and apparatus to include hot blast stoves and burners, blast piping and valves connecting the blowing engines with the furnace, scale cars, charging and hoisting apparatus, blast furnace gas piping, cleaners and washers; and parts of all the foregoing, but not to include wrought iron pipe or valves 10½ inches and under in diameter, nor structural iron work......	Free	5 p.c.	5 p.c.	Free (various)	5 p.c. (various)	5 p.c. (various)
410h	Equipment and parts thereof for distributing stone dust in mines....................................	Free	Free	10 p.c.	Free (various)	Free (various)	10 p.c. (various)
410i	(1) Miners' rescue appliances, designed for emergency use in mines, where artificial breathing is necessary in the presence of poisonous gases, including high pressure oxygen pumps for use exclusively in connection with such appliances, and automatic resuscitation apparatus for artificial breathing to aid in the saving of human life, and parts of all the foregoing........................	Free	Free	Free	Free (various)	Free various)	Free (various)
	(2) Combustible gas indicators, for detecting explosive gases or vapors; methane detectors; carbon monoxide detectors and continuous indicators and recorders; carbon monoxide alarms; pyrotannic detectors for determining the presence and quantity of carbon monoxide in the blood; inhalators for use in reviving victims of carbon monoxide poisoning; pocket gas respirators, dust respirators, paint and lacquer spray respirators, fume and smoke masks, and hose mask outfits complete with face piece, harness, air line and air pump or blower, designated for the protection of firemen and industrial workers; special safety goggles, designed for eye protection of miners, welders, foundrymen and other industrial workers employed in hazardous work; parts of all the foregoing..	Free	Free	Free	Free (various)	Free (various)	Free (various)

Tariff Item	—	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget: British Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Budget: Most-Favoured-Nation Tariff	Rates in Effect Prior to Rates Proposed in this Budget: General Tariff
410j	Miners' acetylene lamps and parts thereof; miners' safety lamps and parts thereof; accessories for cleaning, filling, charging, opening and testing miners' lamps; battery renewal preparations for miners' electric safety lamps; all for use exclusively in mines..........	Free	Free	Free	Free (various)	Free (various)	Free (various)
410l	Coal crushers, ore crushers, rock crushers, stamp mills, grinding mills, rock drills, percussion coal cutters, coal augers, rotary coal drills, n.o.p., and parts of all the foregoing, for use exclusively in mining, metallurgical or quarrying operations.....	5 p.c.	15 p.c.	25 p.c.	5 p.c. 10 p.c. (various)	15 p.c. 25 p.c. (various)	25 p.c. 35 p.c. (various)
410o	*(i)* Coal heading machines; electric or magnetic machines for concentrating or separating iron ores; automatic scales for use with conveyors; and parts of all the foregoing, for use exclusively in mining or metallurgical operations..............	Free	Free	Free	Free (various)	Free (various)	Free (various)
410p	Sundry articles of metal as follows, for use exclusively in mining and metallurgical operations, viz.: furnaces for the smelting of ores; converting apparatus for metallurgical processes in metals; machinery for the extraction of precious metals by the chlorination or cyanide processes, not to include pumps, vacuum pumps or compressors; blast furnace blowing engines for the production of pig iron; and parts of all the foregoing..............................	Free	Free	Free	Free (various)	Free (various)	Free (various)
410q	Pumps and vacuum pumps, and parts thereof, for use exclusively in the extraction of precious metals by the chlorination or cyanide processes..............	15 p.c.	15 p.c.	20 p.c.	15 p.c. (various)	15 p.c. (various)	20 p.c. (various)
410r	Power driven reciprocating pumps and parts thereof, designed for normal working heads of 400 feet and over, for use exclusively underground in mines.......	15 p.c.	25 p.c.	$27\frac{1}{2}$ p.c.	15 p.c. (various)	25 p.c. (various)	$27\frac{1}{2}$ p.c. (various)

410s	Amalgam safes; automatic ore samplers; automatic feeders; retorts; mercury pumps; non-metallic heating elements; pyrometers; bullion furnaces; amalgam cleaners; and parts of all the foregoing, for use exclusively in mining or metallurgical operations...	Free	Free	Free	Free (various)	Free (various)	Free (various)
410t	Blowers of iron or steel, of a class or kind not made in Canada, for use in the smelting of ores, or in reduction, separation or refining of metals, ores or minerals; rotary kilns, revolving roasters and furnaces of metal, of a class or kind not made in Canada, designed for roasting ore, mineral, rock or clay; furnace slag trucks and slag pots, of a class or kind not made in Canada; and parts of all the foregoing........	Free	Free	Free	Free (various)	Free (various)	Free (various)
410u	Blowers of iron or steel, n.o.p., for use in the smelting of ores, or in reduction, separation or refining of metals, ores or minerals; rotary kilns, revolving roasters and furnaces of metal, n.o.p., for use in the roasting of ore, mineral, rock or clay; furnace slag trucks and slag pots, n.o.p.; and parts of all the foregoing........	$12\frac{1}{2}$ p.c.	$17\frac{1}{2}$ p.c.	20 p.c.	$12\frac{1}{2}$ p.c. (various)	$17\frac{1}{2}$ p.c. (various)	20 p.c. (various)
410v	Buddles, vanners, slime or concentrating tables and parts thereof, for use in mining and metallurgical operations........	Free	Free	Free	Free (various)	Free (various)	Free (various)
410w	Machinery, n.o.p., for the concentration or separation of ores, metals or minerals, viz.: flotation machines, flotation cells, oil feeders and reagent feeders for flotation machines and flotation cells, pumps, vibrating and impact screens, jigs, magnetic separators, magnetic pulleys and filters, for use in the concentration or separation of ores, metals or minerals, and parts of all the foregoing........	5 p.c.	$7\frac{1}{2}$ p.c.	20 p.c.	5 p.c. (various)	$7\frac{1}{2}$ p.c. (various)	20 p.c. (various)
410x	Machinery, furnaces and appliances, of a class or kind not made in Canada, and parts thereof, for use in the refining of metals, and for the production of anodes, cathodes, blocks, slabs, pigs or ingots, in such refining processes........	Free	Free	Free	Free (various)	Free (various)	Free (various)
410z	Machinery and apparatus, n.o.p., and parts thereof, for the recovery of solid or liquid particles from flue or other waste gases at metallurgical or industrial plants, not to include motive power, tanks for gas, nor pipes and valves $10\frac{1}{2}$ inches or less in diameter..	5 p.c.	10 p.c.	$12\frac{1}{2}$ p.c.	5 p.c. (various)	10 p.c. (various)	$12\frac{1}{2}$ p.c. (various)

Tariff Item	—	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
435	(*a*) Locomotives and motor cars for railways, of a class or kind not made in Canada, and parts thereof (including motive power and parts thereof, of a class or kind not made in Canada), for use exclusively in mining, metallurgical or sawmill operations..........	Free	Free	20 p.c.	Free 15 p.c. Free 15 p.c	Free 20 p.c. 20 p.c. 22½ p.c.	20 p.c. 30 p.c. 30 p.c. 37½ p.c.
	(*b*) Diesel switching locomotives, including motive power, and parts of the foregoing, of a class or kind not made in Canada..........	Free	10 p.c.	20 p.c.	Free Free 15 p.c.	10 p.c. 20 p.c. 22½ p.c.	20 p.c. 30 p.c. 37½ p.c.
440k	(1) Engines and complete parts thereof, n.o.p., to be used exclusively in the propulsion of boats or in hoisting nets and lines used in such boats *bona fide* owned by individual fishermen for their own use in the fisheries, under such regulations as the Minister may prescribe..........	Free	12½ p.c.	15 p.c.	Free	12½ p.c.	15 p.c.
	(2) Diesel engines and complete parts thereof, to be used exclusively in the propulsion of boats or in hoisting nets and lines used in such boats for use exclusively in *bona fide* commercial fishing operations, under such regulations as the Minister may prescribe..........	Free	Free	15 p.c.	Free Free Free	12½ p.c. Free 20 p.c.	15 p.c. Free 30 p.c.
475	Stereotypes, electrotypes, rubber plates and celluloids for books, and bases and matrices and copper shells for such printing plates; positive and negative films of periodical publications regularly issued at stated intervals as frequently as, at least, four times a year, not including catalogues..........	Free	Free	Free	Free 15 p.c.	Free 20 p.c.	Free 27½ p.c.
523g	Woven fabrics, whether coated or not coated with rubber, when imported by manufacturers of card clothing for textile machinery, for use in the manufacture of such card clothing in their own factories. and, per pound	Free	Free	Free	Free 25 p.c.	Free 25 p.c.	Free 35 p.c. 4 cts

	(1) Fish hooks, for deep-sea or lake fishing, not smaller in size than number 2·0; fishing nets and nettings of all kinds; threads, twines, marlines, fishing lines, rope and cordage, not exceeding one and one-half inches in circumference, to be used for fishing purposes or for the construction or repair of fishing nets; the foregoing not to include such articles used for sportsmen's purposes, and to be subject to such regulations as the Minister may prescribe.......... but not less than, per pound	Free	Free	Free	Free 20 p.c. .... $17\frac{1}{2}$ p.c. (various	Free 25 p.c. 24 cts. $22\frac{1}{2}$ p.c. (various)	Free 35 p.c. 28 cts. 35 p.c. (various)
	(2) Materials for use in the manufacture of the goods specified in tariff item 682(1).......... but not less than, per pound	Free	Free	Free	$12\frac{1}{2}$ p.c. 20 p.c. .... (various)	$17\frac{1}{2}$ p.c. 25 p.c. 24 cts. (various)	25 p.c. 35 p.c. 28 cts. (various)
'05	Settlers' effects, viz.:—Wearing apparel, books, usual and reasonable household furniture and other household effects; instrements and tools of trade, occupation or employment, guns, musical instruments, domestic sewing machines, typewriters, bicycles, carts, wagons and other highway vehicles, agricultural implements and livestock for the farm, not to include live stock or articles for sale, or for use as a contractor's outfit, nor vehicles nor implements moved by mechanical power, nor machinery for use in any mnaufacturing establishment; all the foregoing if actually owned abroad by the settler for at least six months before his removal to Canada, and subject to regulations prescribed by the Minister..........	Free	Free	Free	Free	Free	Free
					(The third proviso to this Item is new.)		
	Provided: (1) That, subject to the exceptions stated hereunder, any dutiable article entered as settlers' effects may not be so entered unless brought by the settler on his first arrival, and shall not be sold or otherwise disposed of without payment of duty until after twelve months' actual use in Canada; (2) That the six months' ownership requirement as specified in this Item shall not apply in the case of *bona fide* brides' trousseaux and wedding presents; and						

Tariff Item	—	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget		
					British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff Tariff
	(3) That with respect to *bona fide* settlers' effects imported from countries named by the Minister that are applying restrictions on the transfer of emigrants' capital to Canada, the six months' ownership requirement specified in this Item shall not apply and notwithstanding the first arrival requirements specified in this Item a reasonable amount of the effects of a settler may be entered from such countries during a period of three years from the date of the settler's first arrival, subject to such regulations as the Minister may prescribe.						
708	Arms, military stores, munitions of war and other goods the property of and to remain the property of a British Commonwealth country designated by the Governor in Council or of a foreign country that is a party to the North Atlantic Treaty and is designated by the Governor in Council; goods consigned to military service agencies and institutions designated by the Governor in Council where the goods are for the personal use of or consumption by nationals of countries designated under this Item who are employed in defence establishments of those countries in Canada.........	Free	Free	Free	Free (various)	Free (various)	Free (various)
	Provided that the Governor in Council may prescribe regulations for all the foregoing and may order that any of the privileges granted under this Item be withdrawn in any case where a country does not grant corresponding privileges to Canada.						

2. Resolved, That schedule B to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended, be further amended by striking thereout tariff item 1052, the enumeration of goods and the rate of drawback of customs duties set opposite to the said item, and by inserting the following items, enumerations and rates of drawback of customs duties in said schedule B:

Item No.	Goods	When Subject to Drawback	Portion of Duty (not including Special Duty or Dumping Duty) Payable as Drawback
1052	Machinery, new or used, and all parts thereof, not including consumable tools, of a class or kind not made in Canada.	When for use in the plants of manufacturers of automobiles and motor vehicles or of automobile or motor vehicle parts for the manufacture of automobiles and motor vehicles or of åutomobile and motor vehicle parts..............................	99 p.c.
1053	Machinery, new or used, and all parts thereof, not including consumable tools, of a class or kind not made in Canada.	When for use in the plants of manufacturers of aircraft, aircraft engines, aircraft equipment, or of parts of the foregoing for the manufacture of aircraft, aircraft engines, aircraft equipment, or of parts of the foregoing....	99 p.c.

3. Resolved, That any enactment founded upon the foregoing resolutions to amend schedules A and B to the Customs Tariff shall be deemed to have come into force on the eleventh day of April, one thousand nine hundred and fifty-one, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

ECONOMIC INDICATORS

REVIEW OF GOVERNMENT ACCOUNTS, 1950-51

BUDGET PAPERS

presented by Honourable D. C. Abbott, M.P., for the information of Parliament on the occasion of the Budget of 1951-52

81028—5½

FOREWORD

The purpose of these Papers is twofold:

(1) to make available in one place and in convenient form, as a supplement to the Budget, some of the more comprehensive indicators of economic conditions prepared by the Dominion Bureau of Statistics and other Government agencies, together with brief comments;

(2) to present a preliminary review of the Government accounts for the fiscal year ending on March 31, 1951.

PART I

ECONOMIC INDICATORS

1. The National Accounts.
   - National Income, Product and Expenditure
   - Personal Income and its Disposition
   - Source and Disposition of Saving
   - Investment
   - Public and Private Capital Expenditure
   - Revenue and Expenditure of All Governments

2. Employment and Wages

3. Balance of International Payments

4. Trend of Prices

The tables in this Budget Paper are based upon estimates provided by the Dominion Bureau of Statistics and other Government Departments. Some of the figures appear for the first time; others have been published elsewhere. All 1950 estimates are preliminary and subject to revision.

Figures for Canada include Newfoundland for 1949 and 1950.

THE NATIONAL ACCOUNTS

National Income, Product and Expenditure

National Income is the total of the annual earnings of Canadian residents from the production of goods and services. As such it includes salaries, wages and other forms of employee earnings in cash or in kind, as well as military pay and allowances. It includes corporation profits, interest, net rent, and the net income of farmers and others who are in business on their own account.

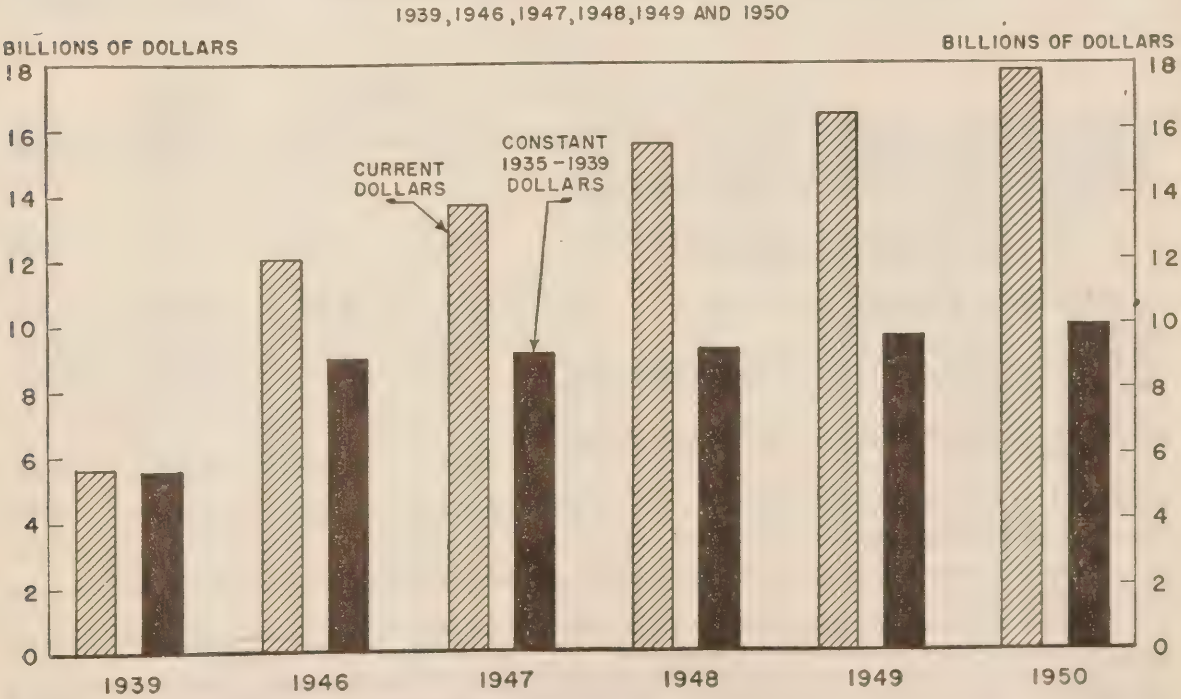
Gross National Product is the value at market prices of all the goods and services produced in a year by the labour, capital, and enterprise of Canadian residents. It is measured by adding together the costs of production. Part of these costs of production are the factor costs or, more simply, the earnings of the factors of production, labour, capital and enterprise; and the total of these factor costs is National Income. Indirect taxes and other costs such as depreciation allowances also enter into the cost of goods and services although they do not form part of the income of Canadians. They are, therefore, added to National Income to obtain Gross National Product. Subsidies on the other hand may be regarded as offsets to costs of production and are therefore deducted.

Gross National Expenditure measures the same aggregate as Gross National Product but in a different way. The goods and services produced in a year are either sold at home or abroad or added to inventories. Thus Gross National Expenditure is obtained by adding together all sales and adjusting them for imports and changes in inventories. While Canadian expenditure on imported goods and services is included in the total sales to consumers, to governments, and to business for capital account, it is not part of the disposition of Canadian production and is therefore deducted. But since foreign expenditures on Canadian goods and services, *i.e.*, exports, form part of the earnings of Canadians in the Gross National Product, they are included in Gross National Expenditure.

GROSS NATIONAL EXPENDITURE

IN CURRENT AND CONSTANT (1935-39) DOLLARS

1939, 1946, 1947, 1948, 1949 AND 1950



NOTE – 1949 and 1950 include Newfoundland

National Income and Product

Gross National Product was 8·6 per cent higher in 1950 than in 1949. After eliminating the upward price change it is estimated that the real increase was of the order of three to four per cent. This is much the most substantial increase recorded in the post-war years.

While the present estimates of changes in real product are not precise enough to be used without reservation, they probably give a good indication of trends and general magnitudes. From 1939 to 1946 the Gross National Product increased by more than 60 per cent in constant dollars. This rapid expansion of output was only possible through the fuller utilization of resources which were unemployed or under-employed at the beginning of the period. Starting from a position of relatively full utilization of resources in 1946, gains in real product have naturally been much less spectacular in the post-war period. Recent estimates indicate a real increase of something approaching 11 per cent for the period 1946 to 1950, excluding the effect of Union with Newfoundland. For the first three years of this period the gains in real product appear to have been just about enough to keep step with population increases. For the year 1950, however, real product per capita increased by something more than one per cent. This larger rate of increase is substantiated in some measure by the rise of 7·6 per cent in the index of industrial production from 1949 to 1950. Part of this gain could be explained by the very heavy post-war investment in new plant and equipment.

Income received in the form of wages and salaries was 6·4 per cent higher in 1950 than in 1949 but the rate of increase was much higher in the latter part

TABLE 1

NATIONAL INCOME AND GROSS NATIONAL PRODUCT

—	1939	1946	1949[1]	Prelim. 1950[1]
	(Millions of Dollars)			
1. Salaries, wages and supplementary labour income	2,583	5,322	7,800	8,300
2. Military pay and allowances	32	340	115	137
3. Investment and miscellaneous[2] income	783[2]	1,987[2]	2,367[2]	2,996[2]
4. Net income of agriculture and other unincorporated business—				
(a) Farm operators from farm production[3]	461[3]	1,130[3]	1,513[3]	1,424[3]
(b) Other unincorporated business	430	1,040	1,374	1,451
5. **NATIONAL INCOME** (1+2+3+4)	**4,289**	**9,819**	**13,169**	**14,308**
6. Indirect taxes less subsidies	737	1.269	1,831	2,001
7. Depreciation allowances and similar business costs	582	846	1,321	1,471
8. Residual error of estimate	−10	74	61	11
9. **Gross National Product at Market Prices** (5+6+7+8)	**5,598**	**12,008**	**16,382**	**17,791**
10. G.N.P. in Constant (1935-39) Dollars	5,523	8,902	9,648	9,982

[1] Includes Newfoundland which is estimated to increase Gross National Product by slightly more than one per cent.

[2] Includes undistributed wheat board trading profits, and inventory revaluation adjustment for grain in commercial channels which together total: 1939, −56; 1946, 33; 1949, −110; 1950, 109.

[3] Adjusted for change in farm inventories; but not adjusted for undistributed wheat board trading profits which were as follows: 1946, 37; 1949, −98; 1950, 62.

of the year, November, 1950, being nearly 11 per cent above November, 1949. Farm income, which is based for the most part on cash receipts, was lower in 1950 than in 1949 although the volume and value of agricultural production were both higher. This is very largely the result of the lower initial payment price for wheat and the lower equalization and adjustment payments in 1950. In 1949 for example, wheat board disbursements to producers were almost $100 million greater than the value of grain received, whereas in 1950 they were about $60 million less. If adjustment were made for this variation in wheat board disbursements, farm income would show an increase of about 5 per cent from 1949 to 1950.

Investment income, excluding technical adjustment for inventory revaluation and undistributed wheat board trading profits, increased by 16 per cent between 1949 and 1950. More than 90 per cent of this increase was due to the estimated 20 per cent increase in corporate profits before taxes. Corporate profits which actually declined in 1949 have been much more sensitive to business activity than has labour income which showed increases of 7·6 per cent in 1949 and 6·4 per cent in 1950. It is impossible to determine how much of the improvement in corporate earnings is attributable to improved business conditions and how much to the heavy post-war investment in new plant and equipment.

National Expenditure

During 1950 Canadians produced goods and services three to four per cent greater in real terms than in 1949. The full amount of this additional output was absorbed at home as well as a further amount represented by the more than $300 million excess of imports of goods and services over exports.

Personal expenditure on consumer goods and services increased by $724 million or 6·5 per cent. If account is taken of price and population increases the gain in real consumption per capita was less than one per cent.

TABLE 2

GROSS NATIONAL EXPENDITURE

—	1939	1946	1949[1]	Prelim. 1950[1]
	(Millions of Dollars)			
1. Personal expenditure on consumer goods and services	3,861	8,018	11,086	11,810
2. Government expenditure on goods and services....	724	1,832	2,106	2,333
3. Gross home investment—				
(a) plant, equipment and housing..............	554	1,362	2,970	3,163
(b) change in inventories..........	327	538	108	805
4. Export of goods and services (2)..............	1,451	3,210	4,011	4,173
5. Import of goods and services (2)..............	−1,328	−2,878	−3,837	−4,482
6. Residual error of estimate..............	9	−74	−62	−11
7. **Gross National Expenditure at Market Prices** (1+2+3+4+5+6).	**5,598**	**12,008**	**16,382**	**17,791**
8. G.N.E. in Constant (1935-39) Dollars............	5,523	8,902	9,648	9,982

[1] Includes Newfoundland.

[2] Minor adjustments have been made to the figures of current receipts and payments shown in Table 12 and in "The Canadian Balance of International Payments, 1926 to 1949", Dominion Bureau of Statistics, to achieve consistency with the other component series.

Investment in plant, equipment and housing again constituted about 18 per cent of Gross National Expenditure although some slight decline in volume is indicated. Investment in inventories showed a very sharp increase of $805 million. It is very difficult to separate the volume and price components of inventory change but present estimates suggest that the volume increase may not be much more than half the above amount.

Government expenditure on goods and services increased by approximately 13 per cent, exclusive of changes in government held inventories. Defence needs accounted for more than three-quarters of the federal increase whereas higher operating costs and expanding capital programs were the major factors in increases at the provincial and municipal levels.

Personal Income and Its Disposition

For purposes of relating the saving and spending of Canadians to their incomes, personal income is a much more useful concept than National Income.

Personal Income differs from National Income in a number of ways. It is defined as the sum of current receipts of income regardless of whether these receipts are earnings from production. Thus it includes only that part of corporation profits which is actually received by Canadian persons as dividends. Similarly deductions must also be made from employees' total earnings for unemployment insurance contributions or pension contributions which, although forming part of the compensation for services performed, are not actually received by the employee within the year. On the other hand, transfer payments such as family allowances, old age pensions, veterans' benefits and charitable contributions of corporations, are part of personal income although they are not payments for services and therefore do not form part of National Income.

Personal income rose by $616 million or 4·8 per cent in 1950 compared with an increase of $1,139 million or 8·6 per cent in National Income. The much more rapid increase in National Income is largely due to the fact that only part of the increase in corporation profits was reflected in increased dividend payments and hence in personal income. Salaries and wages, net of employer and employee contributions to social insurance and government pension funds,

TABLE 3

SOURCES OF PERSONAL INCOME

—	1939	1946	1949[1]	Prelim. 1950[1]
	(Millions of Dollars)			
1. Salaries, wages and supplementary labour income..	2,583	5,322	7,800	8,300
Deduct: Employer and employee contributions to social insurance and government pension funds.	−34	−149	−238	−268
2. Military pay and allowances	32	340	115	137
3. Net income of agriculture and other unincorporated business	891	2,170	2,887	2,875
4. Interest, dividends and net rental income of persons	564	871	1,177	1,242
5. Transfer payments to persons (excluding interest)				
(a) from government	249	1,106	947	1,016
(b) charitable contributions made by corporations	6	11	23	25
6. **Personal Income** (1+2+3+4+5)	**4,291**	**9,671**	**12,711**	**13,327**

[1] Includes Newfoundland.

accounted for $470 million or 76 per cent of the increase in personal income between 1949 and 1950. Net income of unincorporated business was almost unchanged, the decline in farm income largely as a result of lower wheat board disbursements to producers, being offset by a gain in the incomes of other unincorporated businesses.

Government transfer payments were about 7 per cent higher than in 1949. Substantial increases totalling $69 million for family allowances, old age pensions and unemployment insurance benefits were partially offset by a decline of $17 million in payments to veterans.

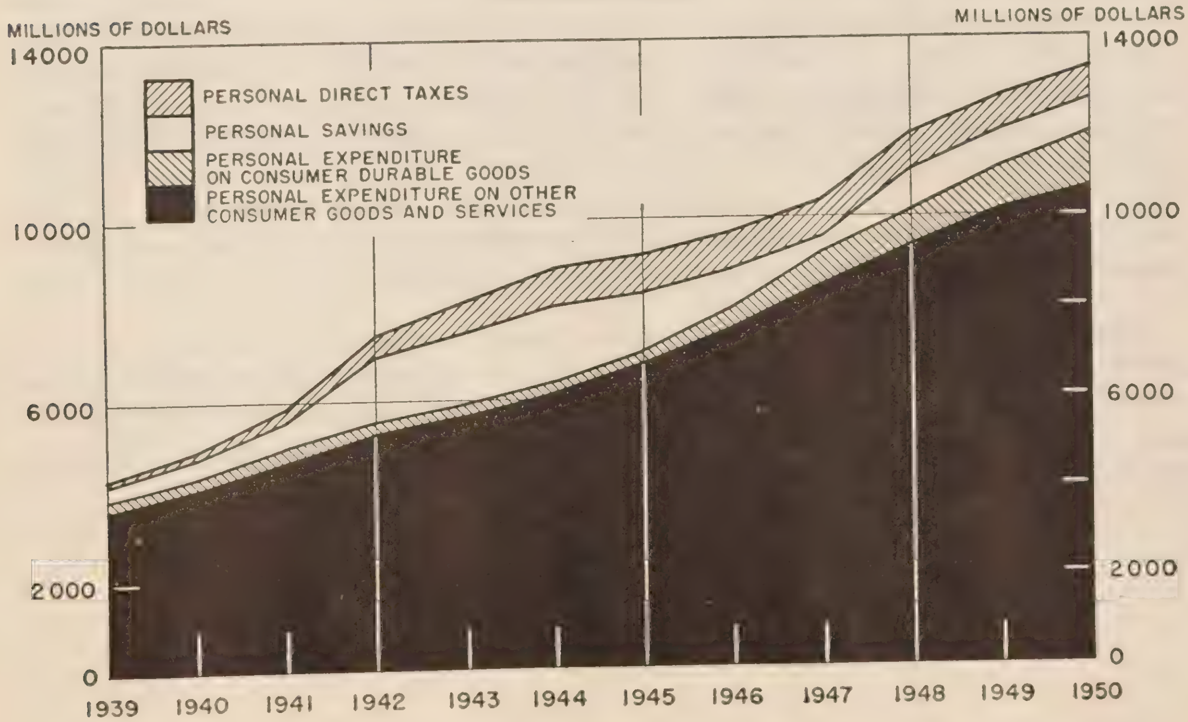
While personal income increased by $616 million between 1949 and 1950, disposable income increased by a greater amount because of the decline of $46 million in personal direct taxes paid. Thus, after payment of direct taxes, Canadians had $662 million additional income in 1950, which they could either save or spend. Actually they spent $724 million more on consumer goods and services in 1950 than in 1949 so that personal saving from current income declined.

Consumer spending on durable goods such as automobiles and household appliances increased by the greatest percentage—25·2 per cent by value and 21·4 per cent by volume. Expenditure on perishable goods such as food, tobacco and beverages increased more moderately, 4·6 per cent by value and 1·4 per cent by volume. The estimates indicate an actual decline in both the value and volume of spending on semi-durable goods such as clothing and house furnishings. Consumer spending on services which includes items like rents, household operation and medical care increased by 7·3 per cent in value and 1·2 per cent in volume. The price increase for the services group as a whole was larger than for any of the main categories of goods.

Total real consumption per capita was less than one per cent higher than in 1949. The whole of this per capita increase was concentrated in the durable goods category.

DISPOSITION OF PERSONAL INCOME

CALENDAR YEARS



TABLE

DISPOSITION OF PERSONAL INCOME

—	1939	1946	1949[1]	Prelim. 1950[1]
	(Millions of Dollars)			
1. Personal direct taxes				
(a) income taxes	61	711	675	612
(b) succession duties	28	54	55	64
(c) miscellaneous taxes	21	31	57	65
Total direct taxes	110	796	787	741
2. Personal expenditure on consumer goods and services—				
Goods—				
(a) Perishable	1,644	3,809	5,319	5,562
(b) Semi-durable	553	1,386	1,925	1,913
(c) Durable	245	487	934	1,169
Services	1,475	2,347	2,985	3,202
Net Personal Expenditure Abroad	−56	−11	−77	−36
Total Consumer Expenditure	3,861	8,018	11,086	11,810
3. Personal saving—				
(a) personal saving excluding farm inventories	260	898	911	645
(b) change in farm inventories	60	−41	−73	131
Total personal saving	320	857	838	776
4. **Personal Income** (1+2+3)	**4,291**	**9,671**	**12,711**	**13,327**

[1] Includes Newfoundland.

Source and Disposition of Saving

Saving may be regarded as the source from which investment expenditure s financed. Income arising out of production may either be spent or saved. At the same time production will be absorbed either by consumption expenditure, or by investment expenditure at home for new plant, equipment, housing, or additions to inventory, or by investment abroad. Saving must therefore equal investment. It is therefore possible to construct tables which show on the one hand, the sources of saving and on the other, the use of these savings to finance gross investment at home or investment abroad.

In addition to personal saving which was mentioned above there can be government saving and business saving. If, for example, the government has a surplus of revenue over expenditure this surplus constitutes part of the Nation's saving. If there is a government deficit it is an offset to the total of private saving by individuals and businesses.

TABLE 5

SOURCES OF SAVING

—	1939	1946	1949[1]	Prelim. 1950[1]
	(Millions of Dollars)			
Personal saving	320	857	838	776
Undistributed corporation profits	219	469	601	730
Undistributed Wheat Board Trading profits	......	37	−98	62
Inventory revaluation adjustment[2]	−56	−4	−12	47
Depreciation allowances	582	846	1,321	1,471
Adjusted Government Surplus (+) or deficit (−)[3]	−42	−121	479	551
Residual error of estimate[4]	−10	74	61	11
Total	1,013	2,158	3,190	3,648

[1] Includes Newfoundland.
[2] The adjustment has been made only to grain held in commercial channels.
[3] See Table 10 and page 14.
[4] See Tables 1 and 2.

Personal saving declined from $838 million in 1949 to $776 million in 1950 despite the substantial increase of $616 million in personal income and the even larger increase of $662 million in disposable income. Saving excluding saving in farm inventories, which is to some extent involuntary, declined from $911 million to $645 million or from 7·2 per cent to 4·8 per cent of personal income. Greatly increased buying of consumer durables was an important factor in the decline in the rate of personal saving.

As in 1949 slightly more than 15 per cent of the Nation's saving was made up of the combined surplus of federal, provincial and municipal governments. In both years the calendar year surplus of the federal government was partially offset by the deficits of provincial and municipal governments.

Variation in wheat board disbursements to producers accounted for a substantial change in the composition of private saving. In 1949 disbursements exceeded the value of grain received so that a negative amount appears in the savings table under the heading Undistributed Wheat Board Trading Profits. In 1950, however, disbursements were less than the value of grain received so that a saving or accumulation of income is recorded.

The pace of economic activity during 1950 is reflected in the increase in corporate profits before tax which are presently estimated to be about 20 per cent

TABLE 6

DISPOSITION OF SAVING

—	1939	1946	1949[1]	Prelim. 1950[1]
	(Millions of Dollars)			
Gross Home Investment	881	1,900	3,078	3,968
Net increase in foreign assets (including foreign exchange) adjusted[2]	123	332	174	−309
Residual error of estimate[3]	9	−74	−62	−11
Total	1,013	2,158	3,190	3,648

[1] Includes Newfoundland.
[2] Minor adjustments have been made to the figures appearing in Table 12.
[3] See Tables 1 and 2.

higher than in 1949. Corporate profits after tax were $231 million higher than in 1949. Despite the estimated increase of $102 million in dividends paid out, undistributed profits increased by more than 21 per cent to $730 million.

TABLE 7

CORPORATION PROFITS, TAXES AND DIVIDENDS

—	1939	1946	1949[1]	Prelim. 1950[1]
	(Millions of Dollars)			
Corporation profits before taxes[2]	618	1,450	1,898	2,270
Deduct corporation taxes[3]	−112	−654	−727	−868
Corporation profits after taxes	506	796	1,171	1,402
Deduct dividends paid out[4]	−287	−327	−570	−672
Undistributed corporation profits[5]	219	469	601	730

[1] Includes Newfoundland.
[2] Includes depletion charges and is adjusted for losses, and for conversion to a calendar year basis.
[3] Taxes paid or payable in respect of the calendar year's income, excluding the refundable portion of the excess profits tax. (See Table 10).
[4] Includes charitable contributions made by corporations. (See Table 3 Item 5(b)).
[5] See Table 5.

Investment

Investment in plant, equipment and housing continued to make large demands on saving. But the largest single increase in investment appears to have been in net addition to inventories. In total, gross home investment increased by almost $900 million, or about $430 million more than the increase in private and public saving. At the same time, however, there was a very significant decline in Canada's net investment abroad from $174 million in 1949 to −$309 million in 1950. (For more detailed discussion of net foreign investment see section on Balance of International Payments).

TABLE 8

GROSS HOME INVESTMENT

—	1939	1946	1949[1]	Prelim. 1950[1]
	(Millions of Dollars)			
Plant, Equipment, and Housing—Total[2]	554	1,362	2,970	3,163
New Residential Construction	145	338	741	782
Other New Construction	126	449	906	1,003
New Machinery and Equipment	283	575	1,323	1,378
Change in Inventories—Total	327	538	108	805
Grain in Commercial Channels[3]	127	−41	−12	55
Farm Grain and Livestock[3]	60	−41	−73	131
All Other Inventories[4]	140	620	193	619
Gross Home Investment[5]	**881**	**1,900**	**3,078**	**3,968**
Percentage of Gross National Expenditure	16%	16%	19%	22%

[1] Includes Newfoundland.
[2] Includes private businesses and institutions, and publicly owned public utilities.
[3] Value of physical change.
[4] Change in value. Includes privately financed industrial and trade inventories.
[5] See Table 2, Item 3.

Public and Private Capital Expenditure

Table 9 brings together business capital expenditures, which are included in Table 8 above, and public capital outlays included under government expenditure in Table 2. The total of public and private capital expenditure increased by \$300 million or 8·6 per cent between 1949 and 1950. Capital expenditure in manufacturing showed the only decline in value. Capital expenditure by government departments showed the largest increase, 17·9 per cent and accounted for almost one-quarter of the total value increase from 1949 to 1950. The larger part of the increase in public capital expenditure came from provincial and municipal rather than federal spending.

The forecast for 1951 is for a further large increase in capital expenditure, amounting to 14·2 per cent by value and 6 per cent by volume. Largest elements in this are the forecast increases for manufacturing industries and government departments both of which are associated with expanding defence requirements.

TABLE 9

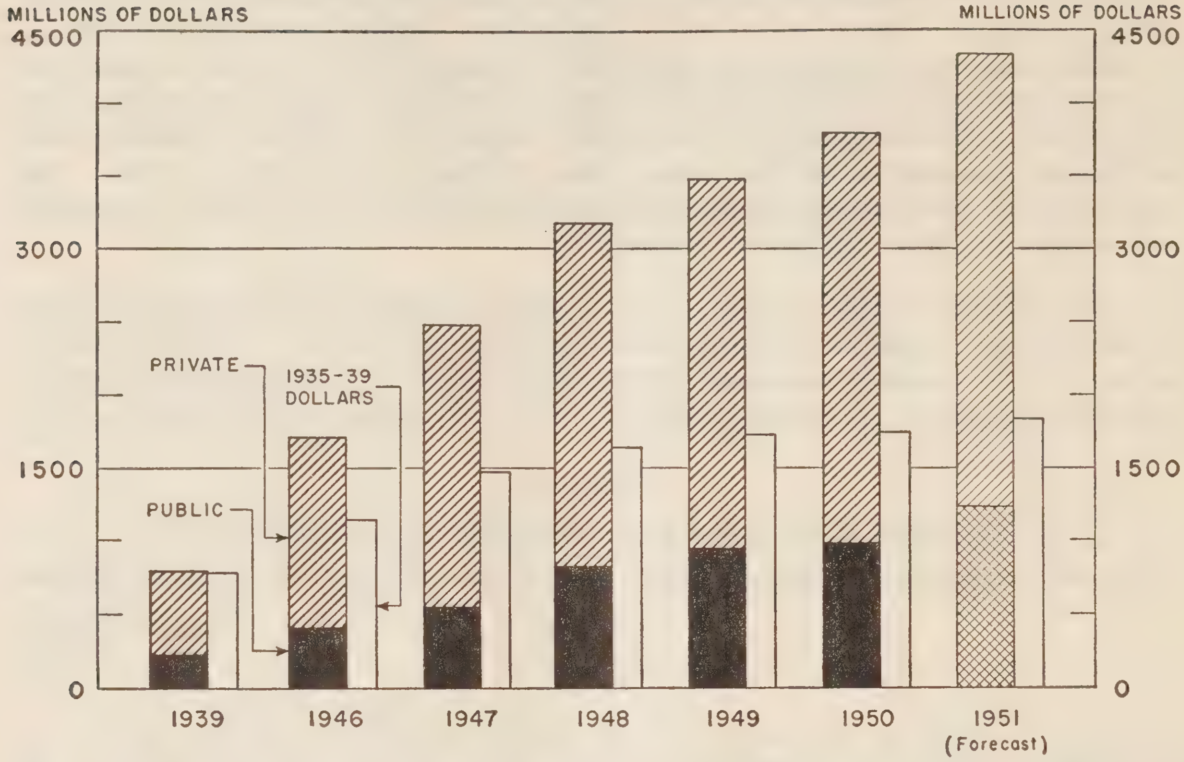
PUBLIC AND PRIVATE CAPITAL EXPENDITURE

—	1946	1948	1949[1]	Prelim. 1950[1]	Forecast 1951[1 2]
	(Millions of Dollars)				
Agriculture and Fishing	182	351	419	442	420
Forestry	14	29	26	30	34
Mining, Quarrying and Oil Wells	39	105	122	134	164
Manufacturing	337	579	536	519	716
Electric Power, Gas and Water Works	77	248	337	369	442
Transportation, Storage and Communications	174	318	341	375	450
Construction Industry	33	59	55	62	40
Trade, Finance and Commercial Services	137	281	294	362	369
Institutions	74	145	190	210	270
Housing	412	668	768	813	827
Government Departments	224	394	403	475	596
Total Capital Expenditure[3]	1,703	3,177	3,491	3,791	4,328
Total Capital Expenditure as a percentage of Gross National Expenditure	14·2	20·5	21·3	21·3	
Total Capital Expenditure in Constant (1935–1939) Dollars	1,142	1,630	1,711	1,732	1,836

[1] Includes Newfoundland.
[2] Source: "Private and Public Investment in Canada, Outlook, 1951" published jointly by the Economic Research Branch, Department of Trade and Commerce and the Dominion Bureau of Statistics.
[3] For reconciliation with Gross Home Investment in Table 8, see below

	1949	1950
Public and Private Capital Expenditure—Table 9	3,491	3,791
Deduct:		
Provincial hospitals and schools, and Municipal schools	−91	−122
Government housing exc. C.M.H.C. rental housing	−27	−31
Direct government department outlays	−403	−475
Add:		
Changes in Inventories	108	805
Total Gross Home Investment—Table 8	3,078	3,968

PUBLIC AND PRIVATE CAPITAL EXPENDITURE



Revenue and Expenditure of all Governments

In Table 10, "Government Transactions Related to the National Accounts", an attempt is made to bring together in one statement and under uniform headings, the activities of all governments in Canada on a calendar year basis.

The table is designed to include only those transactions which have relevance for the National Accounts, and consequently the surpluses or deficits shown here do not agree with those shown in the various public accounts. It has been necessary to adjust the conventional accounting statements of fiscal year revenue and expenditure to exclude purely bookkeeping transactions as well as the purchase and sale of existing capital assets. Extra-budgetary funds such as unemployment insurance, workmen's compensation and pension funds have been added, and surpluses or deficits of Government enterprises are likewise included. In the federal accounts some of the more substantial adjustments are as follows: elimination of reserve for possible losses on active assets, elimination of reserves for veterans' conditional benefits, elimination of expenditures charged with respect to assumption of Newfoundland debt, elimination of expenditures charged with respect to shipment of World War II military equipment to Europe under the North Atlantic Treaty, elimination of write down of active assets to non-active account, allocation of war refunds to prior years, adjustment of corporate taxes to an accrual basis, and elimination of sales of war assets to business. In addition the federal figures have been adjusted to a calendar year basis by using the monthly figures published by the Comptroller of the Treasury. Government loans to foreign countries or accumulation of gold or foreign exchange are not included with government expenditure.

For purpose of analysis, expenditures by governments may be divided into two main categories: expenditures for the purchase of goods and services, and so-called transfer payments, *i.e.*, family allowances, old age pensions, veterans' benefits, the greater part of the interest on the public debt, etc., which do not

arise from current production of goods and services. The first category represents the demands which governments place on the annual output of the nation. Transfer payments, on the other hand, simply add to the sums available for spending or saving by the recipient.

The federal surplus was larger in the calendar year 1950 than in 1949 although expenditures were rising. This was largely the result of increased revenues from indirect taxes and taxes on corporations. Federal government expenditure on goods and services increased less in 1950 than provincial and municipal expenditure despite the fact that more than three quarters of the federal increase was accounted for by expanding defence needs.

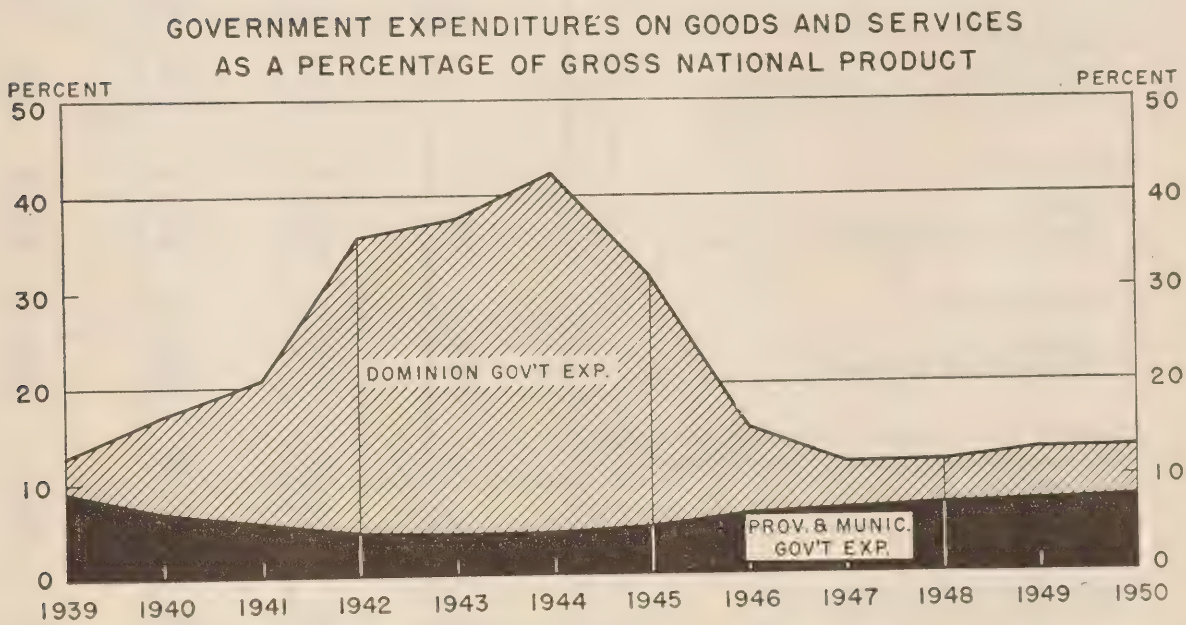


TABLE 10

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

—	1939	1946	1949[1]	Prelim. 1950[1]
	(Millions of Dollars)			
Government Revenue—				
Direct Taxes—Persons	110	796	787	741
Income and Excess Profits—				
Federal	46	711	674	612
Provincial and Municipal	15	......	1	......
Succession Duties—				
Federal	......	20	26	34
Provincial	28	34	29	30
Miscellaneous—				
Federal	3	6	7	7
Provincial and Municipal	18	25	50	58
Direct Taxes—Corporations	123	683	774	922
Income and Excess Profits—				
Federal	98	652	597	730
Provincial	14	2	130	138
Withholding taxes—Federal	11	29	47	54
Indirect Taxes	720	1,505	1,908	2,060
Federal	310	957	1,048	1,115
Provincial and Municipal	410	548	860	945
Investment Income	99	375	377	409
Federal	−11	154	130	160
Provincial and Municipal	110	221	247	249
Employer and Employee Contributions to Social Insurance and Government Pension Funds	34	149	238	268
Federal	6	78	141	158
Provincial and Municipal	28	71	97	110
Transfers from Other Governments— Provincial and Municipal	83	174	182	256
Total Revenue	1,169	3,682	4,266	4,656
Federal	463	2,607	2,670	2,870
Provincial and Municipal	706	1,075	1,596	1,786
Deficit (or surplus−)	**42**	**121**	**−479**	**−551**
Federal	−4	232	−524	−586
Provincial and Municipal	46	−111	45	35
Total Revenue plus Deficit (or minus Surplus)	**1,211**	**3,803**	**3,787**	**4,105**
Federal	459	2,839	2,146	2,284
Provincial and Municipal	752	964	1,641	1,821

[1] Includes Newfoundland.

TABLE 10—Concluded

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

—	1939	1946	1949[1]	Prelim. 1950[1]
	(MILLIONS OF DOLLARS)			
GOVERNMENT EXPENDITURE— Goods and Services	724	1,832	2,106	2,333
Federal	214	1,090	869	948
Provincial and Municipal	510	742	1,237	1,385
Transfer Payments	421	1,561	1,422	1,457
Federal	180	1,344	1,022	1,025
Provincial and Municipal	241	217	400	432
Subsidies	−17	236	77	59
Federal	−18	231	73	55
Provincial and Municipal	1	5	4	4
Transfers to Other Governments— Federal	83	174	182	256
Total Expenditure	**1,211**	**3,803**	**3,787**	**4,105**
Federal	459	2,839	2,146	2,284
Provincial and Municipal	752	964	1,641	1,821

[1] Includes Newfoundland.

EMPLOYMENT AND WAGES

Canada's civilian labour force was estimated to be approximately the same size at the time of the November 1950 labour force survey as it had been at the same date a year earlier. On November 4, 1950, the labour force was estimated at 5,201,000 compared with 5,200,000 on October 29, 1949. The agricultural labour force however, showed a substantial decline from 1,058,000 to 974,000. This decrease was almost exactly offset by an increase of 85,000 in the size of the non-agricultural labour force, from 4,142,000 to 4,227,000.

Although the labour force was practically unchanged, the number of persons employed on November 4, 1950 was 5,084,000 or 31,000 above the figure for the previous year. Unemployment, defined as those without jobs and looking for work, after reaching a post-war peak in March, 1950, fell to 117,000 on November 4, little more than 2 per cent of the labour force and well below the 147,000 registered on a similar date in 1949.

The following table presents a picture of the civilian labour force on comparable dates for the years 1946–1950. The data for 1949 and 1950 include Newfoundland.

TABLE 11

THE LABOUR FORCE[1]

(Thousands of Persons)

—	Nov. 9 1946	Nov. 8 1947	Nov. 20 1948	Oct. 29 1949	Nov. 4 1950
Civilian Labour Force	4,848	4,934	4,964	5,200	5,201
Exclusive of Newfoundland	—	—	—	*5,086*	*5,098*
Male	3,797	3,861	3,925	4,096	4,083
Female	1,051	1,073	1,039	1,104	1,118
Agricultural	1,076	1,073	991	1,058	974
Non-Agricultural	3,772	3,861	3,973	4,142	4,227
Unemployed	115	87	106	147	117
Employed	4,733	4,847	4,858	5,053	5,084
Agricultural	1,071	1,068	986	1,048	969
Non-agricultural	3,662	3,779	3,872	4,005	4,115
Paid workers	3,278	3,334	3,441	3,580	3,683
Farm	125	116	110	126	102
Non-farm	3,153	3,218	3,331	3,454	3,581
Self-employed	1,123	1,163	1,139	1,167	1,107
Farm	656	661	648	671	622
Non-farm	467	502	491	496	485
Unpaid Family Workers	332	350	278	306	294
Farm	290	291	228	251	245
Non-farm	42	59	50	55	49

[1] Data for 1949 and 1950 include Newfoundland.

An indication of the more recent trend in unemployment may be gathered from data on persons who have applied for jobs at National Employment Service offices. The average figures for January and February 1951 were 272,899 and 302,021 respectively. The comparable figures for January and February 1950 were 332,068 and 377,331. This is the period of highest seasonal unemployment but the figures indicate a considerable improvement over the same period a year earlier. Caution must be used in interpreting the figures as a measure of unemployment since they include some persons who had a job and exclude some unemployed persons who did not register. The figures for 1951 are probably higher than they should be for strict comparability with 1950 because of the legislation which came into force March, 1950 regarding supplementary unemployment insurance benefits. The figures for January and February 1951 will include some unemployed persons who were in insurable employment and had exhausted their benefits whereas similar persons would not have been eligible in 1950 and therefore might not have registered.

Labour income during 1950 was estimated at $8,300 million, 6·4 per cent higher than last year. The increase in income was particularly marked during the second half of the year, and was due both to higher employment levels in the non-agricultural industries and to higher weekly earnings. Per capita weekly earnings, in nine leading industries averaged $46·59 at December 1, 1950 compared to $43·71 at December 1, 1949. Average per capita weekly earnings for 1950 were estimated at $44·84 and for 1949 at $42·96.

Changes in hours worked per week did not materially affect the size of labour income. In manufacturing, hours worked per week averaged 42·3, the same as the previous year.

BALANCE OF INTERNATIONAL PAYMENTS

When goods are exported, unless thay are given away they give rise to payments or debts in favour of Canada. Similarly, when goods are imported they give rise to payments or debts in favour of the rest of the world. Other transactions such as interest and dividend payments, the tourist trade, freight and shipping charges, also give rise to similar payments or debts in either direction. The difference between the debits and credits arising from these current transactions is referred to as the net balance of international payments on current account. When total credits exceed total debits within a year, the rest of the world has gone into debt to Canada or Canada has paid off some of her debt to the rest of the world. When total debits exceed total credits, the net position is, of course, reversed.

Canada's deficit on current account of $316 million in 1950 represents an increase in net debits from 1949 of about $500 million. Although exports increased by $150 million, imports rose sharply in the last half of the year and total imports were $433 million higher than in 1949. As a result, Canada's merchandise trade in 1950 was in approximate balance, compared with the substantial surplus achieved in 1949. The largest single change in other current transactions was the increase of over 20 per cent in interest and dividend payments. Net tourist receipts also declined and freight and shipping showed a net debit compared with a credit in 1949.

During the year a significant shift occurred in the geographical pattern of Canadian trade. Exports to the United States rose by over $500 million, an increase of 34 per cent. At the same time there was a very sharp decline in

TABLE 12

BALANCE OF INTERNATIONAL PAYMENTS

ESTIMATED CURRENT ACCOUNT BETWEEN CANADA AND ALL COUNTRIES

(Millions of Canadian dollars)

—	1939	1946	1949	1950
CURRENT CREDITS				
Exports (adjusted)	906	2,393	2,989	3,139
Non-monetary gold	184	96	139	163
Tourist expenditures	149	221	286	275
Interest and dividends	57	70	83	93
Freight and shipping	102	311	303	287
Inheritances and immigrants' funds	59	274	66	56
Other current receipts			211	216
Total Credits	1,457	3,365	4,077	4,229
CURRENT DEBITS				
Imports (adjusted)	713	1,822	2,696	3,129
Tourist expenditures	81	135	192	222
Interest and dividends	306	312	390	474
Freight and shipping	119	219	253	301
Inheritances and emigrants' funds	112	514	53	63
Other current payments			306	356
Total Debits	1,331	3,002	3,890	4,545
NET BALANCE ON CURRENT ACCOUNT	+126	+363	+187	−316

ESTIMATED GEOGRAPHICAL DISTRIBUTION OF THE NET BALANCE ON CURRENT ACCOUNT

—	1939	1946	1949	1950
Between Canada and—				
United States	−116	−607	−589	−394
United Kingdom	+137	+500	+439	+33
Rest of the Sterling Area	+39	+164	+135	−26
E.R.P. Countries	+66	+306	+187	+112
Other Countries			+15	−41
All Countries	+126	+363	+187	−316

exports to the United Kingdom and other sterling area countries, from approximately $1,000 million in 1949 to less than $700 million in 1950. Canadian imports from the sterling area increased by $150 million during the same period. These marked changes have brought Canada more nearly into balance with the principal trading areas as shown in Table 12.

Compared with 1949 Canadian exports of goods and services in 1950 rose by about 4 per cent in value although the volume is estimated to be approximately the same. Imports on the other hand increased by 17 per cent in value and 9 per cent in volume.

Notwithstanding the current account deficit, the official reserves of gold and United States dollars rose by $625 million in 1950. This increase was due primarily to the very heavy inflow of capital from the United States, a large part of it in the third quarter of the year. The available details of the transactions on capital account in 1950 are compared in the following table with similar transactions in 1949:

	(Millions of Canadian dollars) 1949	1950
Loans to United Kingdom and other governments (gross)	−120	−50
Less Repayments	+18	+73
Government of Canada borrowing in the United States (U.S. dollars)	—	−50
Increase (−) in official reserves of gold and United States dollars (expressed in U.S. dollars)	−119	−625
Other capital, including exchange adjustments, errors and omissions	+34	+968
Total[1]	−187	+316

[1] Equal in size but opposite in sign to net balance on current account.

BALANCE OF INTERNATIONAL PAYMENTS

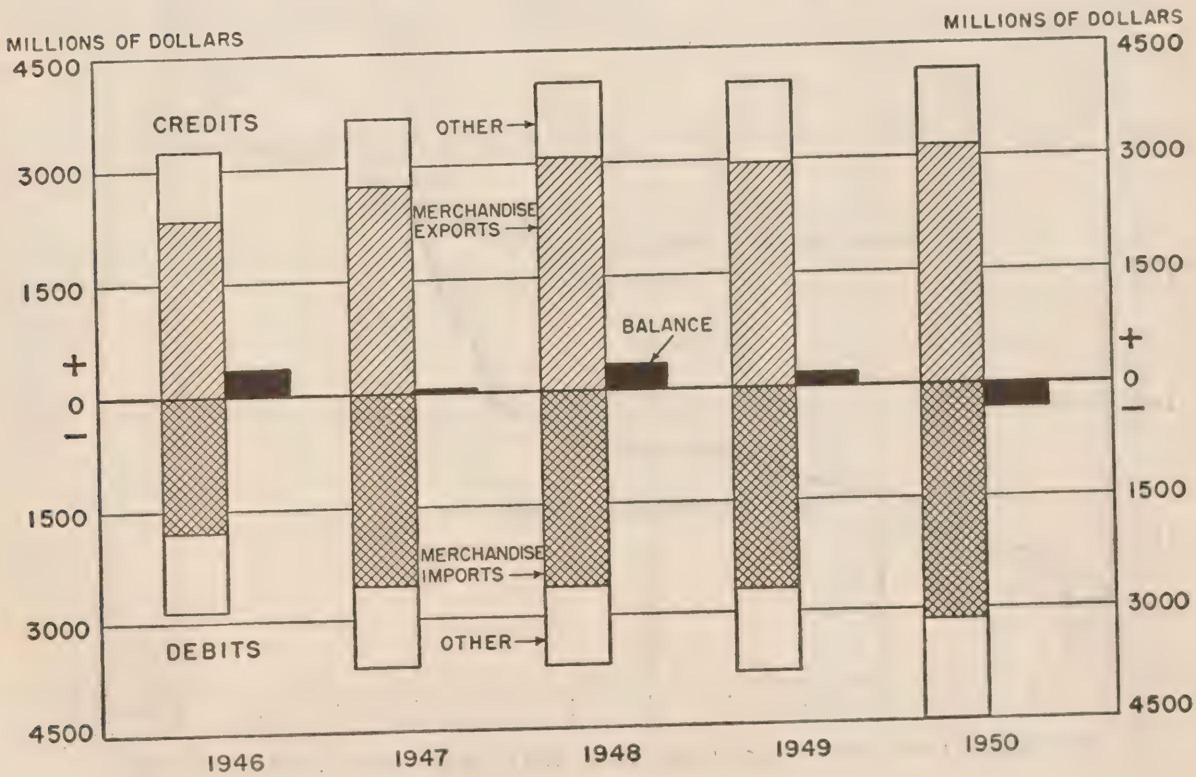


TABLE 13

CANADA'S HOLDINGS OF GOLD AND U.S. DOLLARS

(millions of U.S. dollars)

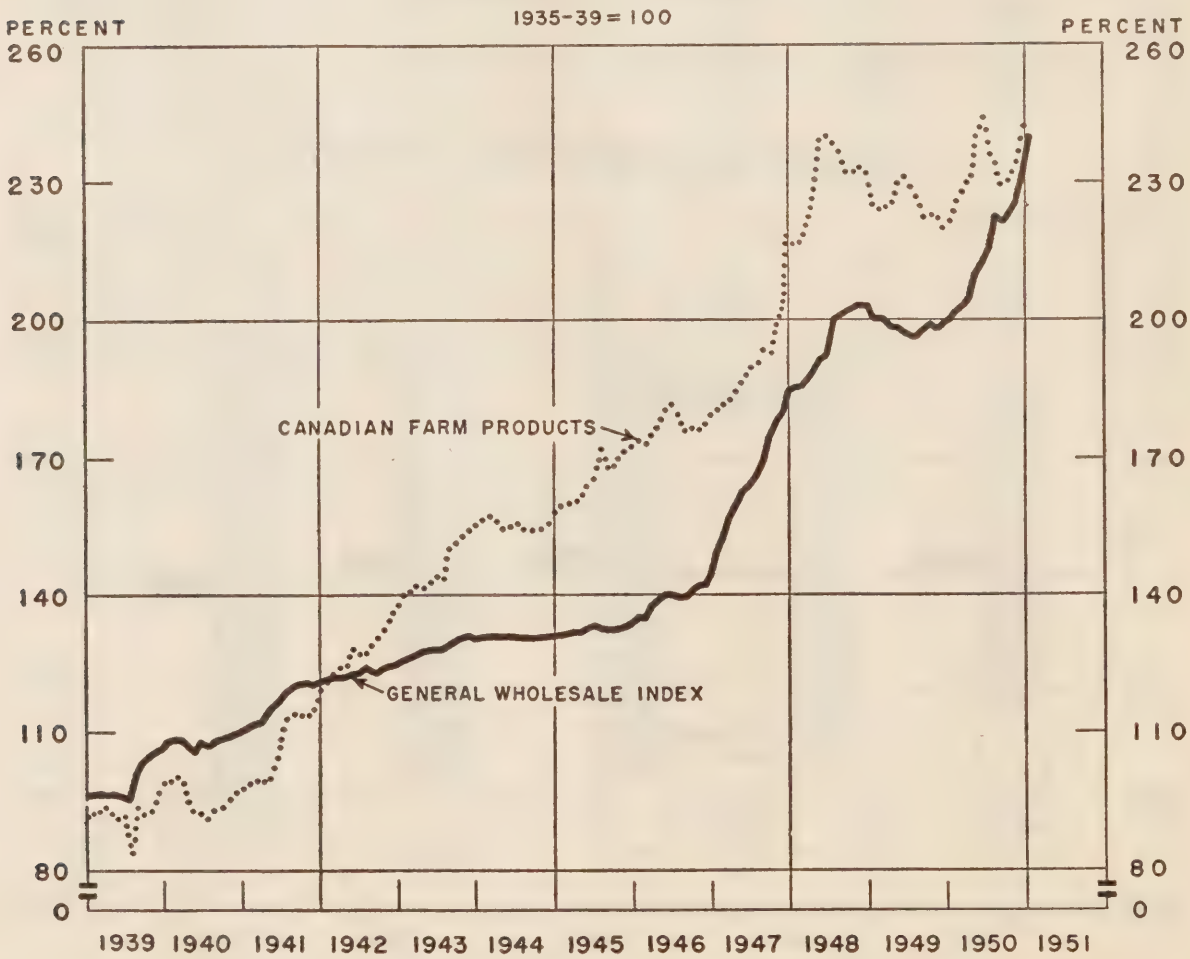
—	Exchange Fund Account and Bank of Canada		Other Government of Canada Accounts	Private[2]	Total
	Gold	U.S. dollars	U.S. dollars	U.S. dollars	Gold and U.S. dollars
Sept. 15, 1939	204·9	33·8	22·4	132	393·1
Dec. 31, 1939	218·0	54·8	33·4	98	404·2
Dec. 31, 1940	136·5	172·8	20·8	2	332·1
Dec. 31, 1941	135·9	28·2	23·5	....	187·6
Dec. 31, 1942	154·9	88·0	75·6	....	318·5
Dec. 31, 1943	224·4	348·8	76·4	....	649·6
Dec. 31, 1944	293·9	506·2	102·1	....	902·2
Dec. 31, 1945	353·9	922·0	232·1	....	1,508·0
Dec. 31, 1946	536·0	686·3	22·6	....	1,244·9
Dec. 31, 1947	286·6	171·8	43·3	....	501·7
Dec. 31, 1948	401·3	574·5	22·0	....	997·8
Dec. 31, 1949	486·4	594·1	[1] 36·6	....	1,117·1
Dec. 31, 1950	580·2	1,144·9	16·6	....	1,741·7

[1] Not including $18·2 million in United States dollars borrowed by the Government of Canada in August, 1949, and set aside for the retirement on February 1, 1950, of a security issue guaranteed by it and payable at the holder's option in United States dollars.

[2] Exclusive of working balances.

WHOLESALE PRICES

1935-39 = 100



PRICE TRENDS

The general level of prices in Canada showed very little change between the summer of 1948 and the spring of 1950, but since May, 1950, there has been a sharp increase of about 17 per cent in wholesale prices and 9 per cent in the cost of living index. These recent price increases have not been peculiar to the Canadian scene but are very much in evidence elsewhere in the world.

For the year 1950, wholesale prices averaged more than 6½ per cent above 1949 and in December, 1950, were approximately 14 per cent above December, 1949. The more rapid price increase in the latter part of 1950 has been continued in 1951 with the wholesale price index for February, 20 per cent above a year ago and 6 per cent above December, 1950. Prices of fully and chiefly manufactured goods moved in a manner similar to the total index with the greatest increase in the latter part of 1950 and early 1951. The index of Canadian farm products unlike the total wholesale index, showed a more rapid increase in the first part of 1950 and reached a post-war high in July at a point more than 11 per cent above that of the beginning of the year. The index then declined in the last half of 1950 so that during December it was about 5 per cent above the previous year. However, there has again been a strong advance in farm prices and the index for February 1951, is more than 8 per cent above December, 1950.

The slight downward movement indicated in the cost of living index toward the end of 1949 was reversed in the spring of 1950 and the index moved steadily upward during the rest of the year. For the year as a whole the index averaged 3½ per cent above 1949 but at December 1, 1950, it was 5·9 per cent above December, 1949. A large part of the increase in the cost of living index is accounted for by the rise of 8 to 9 per cent in food and rents which together constitute half the weight in the cost of living budget. As with wholesale prices the increase has accelerated in recent months with the March 1, 1951, cost of living index 9·8 per cent above March 1, 1950, and 5·0 per cent above December, 1950.

TABLE 14

WHOLESALE PRICE INDEXES

(1935-39 = 100)

Monthly Averages	Total	Canadian Farm Products	Fully and Chiefly Manufactured Goods
1939	99·3	92·6	101·9
1940	108·2	96·1	109·9
1941	116·6	106·6	118·8
1942	123·3	127·1	123·7
1943	128·3	145·4	126·9
1944	130·9	155·3	129·1
1945	132·4	165·3	129·8
1946	139·2	177·0	138·0
1947	163·6	189·7	162·4
1948	193·9	229·6	192·4
1949	198·9	226·2	199·2
1950	212·4	231·5	211·0
1950—January	199·9	219·2	200·3
February	200·9	222·0	201·0
March	202·4	226·9	202·4
April	203·6	228·8	203·0
May	205·8	231·6	204·1
June	210·3	240·9	207·1
July	213·2	244·3	209·2
August	216·9	236·3	213·6
September	223·8	234·9	221·5
October	221·3	228·5	220·8
November	223·7	230·4	223·2
December	226·4	234·5	225·5
1951—January	233·8	242·2	233·6
February	240·0	253·7	240·0

Note—1950 and 1951 indexes are preliminary.

TABLE 15

COST OF LIVING INDEXES

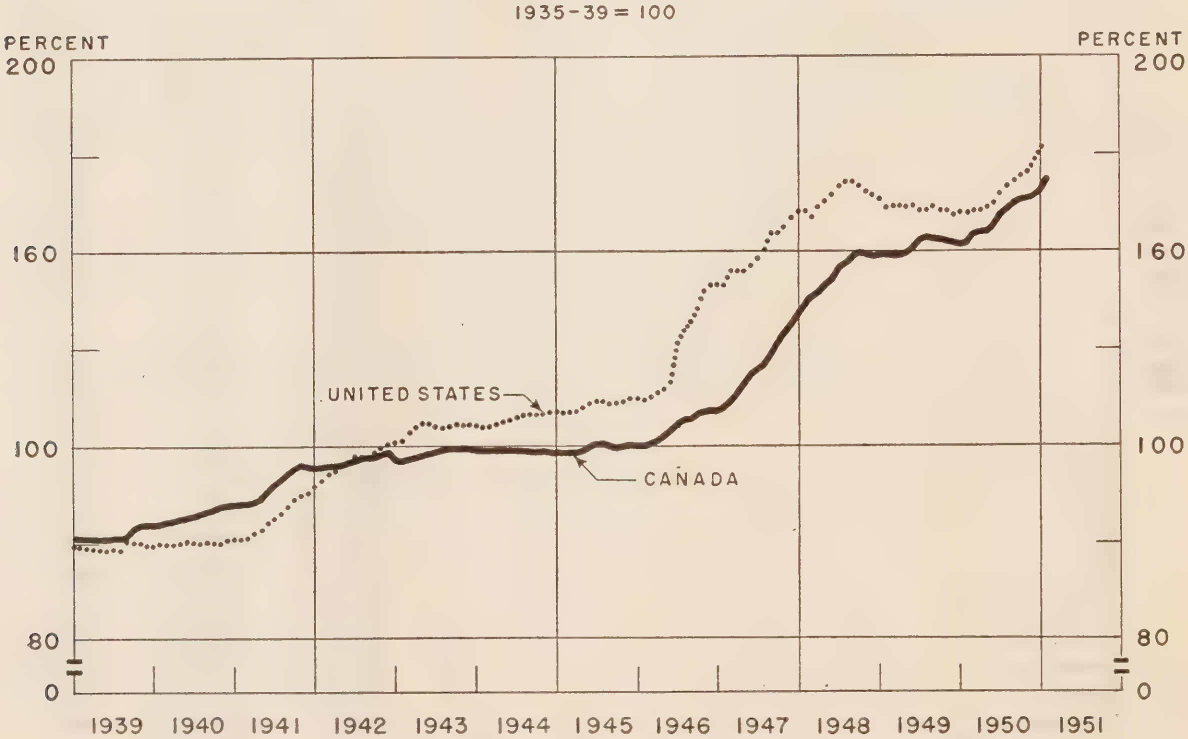
(1935-39=100)

—	Canada Total	Canada Food	United States Total	United States Food
1939	101·5	100·6	99·4	95·2
1940	105·6	105·6	100·2	96·6
1941	111·7	116·1	105·2	105·5
1942	117·0	127·2	116·5	123·9
1943	118·4	130·7	123·6	138·0
1944	118·9	131·3	125·5	136·1
1945	119·5	133·0	128·4	139·1
1946	123·6	140·4	139·3	159·6
1947	135·5	159·5	159·2	193·8
1948	155·0	195·5	171·2	210·2
1949	160·8	203·0	169·1	201·9
1950	166·5	210·9	171·9 [1]	204·5 [1]
1950—January	161·0	199·4	168·2	196·0
February	161·6	201·3	167·9	194·9
March	163·7	204·0	168·4	196·6
April	164·0	204·5	168·5	197·3
May	164·0	204·6	169·3	199·8
June	165·4	209·0	170·2	203·1
July	167·5	214·3	172·0	208·2
August	168·5	216·7	173·4	209·9
September	169·8	218·8	174·6	210·0
October	170·7	220·1	175·6	210·6
November	170·7	218·6	176·4	210·8
December	171·1	218·8	178·8	216·3
1951—January	172·5	220·2	181·5	221·9
February	175·2	224·4	183·8	226·0
March	179·7	233·9		

[1] Adjusted series United States Consumers' Price Index from January, 1950, forward. Source: Bureau of Labour Statistics.

COST OF LIVING

1935-39 = 100



Part II

REVIEW OF GOVERNMENT ACCOUNTS 1950–51

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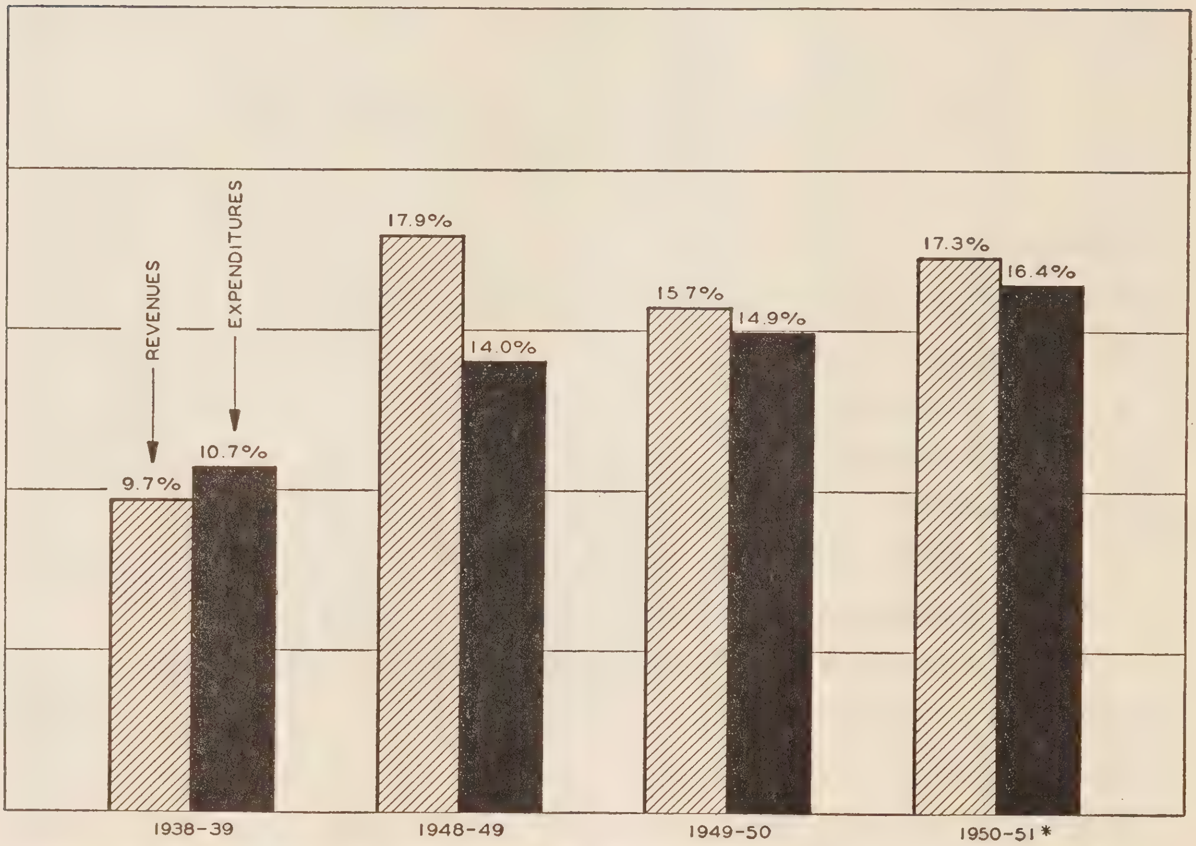
BUDGETARY REVENUES AND EXPENDITURES
AS A PERCENTAGE OF GROSS NATIONAL PRODUCT[1]



(1) GROSS NATIONAL PRODUCT AS OF CALENDAR YEAR ENDING DECEMBER 31 WITHIN FISCAL YEAR * ESTIMATE

PART II

REVIEW OF GOVERNMENT ACCOUNTS 1950–51

1. INTRODUCTION

1. Although the Government's fiscal year ended on March 31st, the books must remain open for several weeks after that date in order to record various adjusting entries and to take into account all payments up to and including April 30th made on account of expenditures originating in, and properly chargeable to, the fiscal year 1950–51. Consequently, as final figures for that year will not be available for some considerable time, the figures appearing in this Part must be regarded as preliminary and subject to revision.

2. HIGHLIGHTS OF GOVERNMENTAL FINANCIAL OPERATIONS DURING 1950–51

2. The revenues of the Government for the year ended March 31, 1951 are now estimated at $3,105 million, the largest total yet recorded. As expenditures for the year are estimated at $2,902 million, the fiscal year 1950–51 is the fifth successive year the financial operations of the Government will result in a budgetary surplus. On the basis of these figures it would appear that the Government's budgetary surplus will probably total something in the neighbourhood of $203 million compared with $131 million for the year ended March 31, 1950. As a result the Government's net debt (the excess of total liabilities over total active assets) will be reduced by an equivalent amount. This will bring to a total of $1,980 million the amount by which the Government has reduced its net debt during the past five fiscal years. This reduction is approximately equivalent to the amount by which the Government's net debt increased during the first three and one half years after the outbreak of war in 1939.

3. While the budgetary surplus for 1950–51 is estimated at $203 million, the Government has been able to make loans and advances and other non-budgetary disbursements of more than $600 million and at the same time to purchase or retire outstanding funded debt to the extent of over $200 million. The manner in which this has been achieved may best be understood by taking an over-all view of the Government's cash transactions for the year. As explained in greater detail in the section on "The Cash Accounts", all the Government's cash receipts and disbursements are not reflected in the budgetary accounts, nor do all budgetary transactions result in the inflow or outgo of cash. Substantial amounts are received and paid out for extra-budgetary purposes (such as the loans and advances which the Government is required to make and the transactions in connection with the many superannuation, insurance, pension, annuity and deposit and trust accounts which it has undertaken to hold or administer.) On the other hand a substantial part of the budgetary revenues and expenditures are merely of an accounting or bookkeeping nature and do not result in the receipt or disbursement of cash.

4. While the Government's budgetary surplus for the fiscal year was $203 million this does not reflect the full economic impact of Government operations upon the economy. When the budgetary surplus is adjusted for non-cash transactions, there remains an amount of about $642 million. This sum, together with $150 million from repayments of loans, investments and working capital advances, net insurance, pensions and annuity contributions, and other non-budgetary cash receipts made $792 million cash available for making necessary loans and investments and other extra-budgetary outlay. During the fiscal year cash payments amounting to $612 million for loans and investments

and for other non-budgetary purposes which would otherwise have required additional borrowing, were made out of available cash resources. As a result of all these transactions, the *cash* surplus for the fiscal year was $181 million. By using this amount and by allowing the Government's cash balances to be reduced by $25 million, funded debt amounting to $116 million was retired and securities amounting to $90 million were acquired for the Government's investment portfolios (mainly the Unemployment Insurance Fund).

3. THE BUDGETARY ACCOUNTS

5. The table which follows gives a summarized statement of revenues and expenditures for the fiscal year ended March 31, 1951, with the comparable figures for the four preceding fiscal years. More detailed tables in comparative form may be found at the end of this Part.

SUMMARY OF REVENUES AND EXPENDITURES

(In millions of dollars)

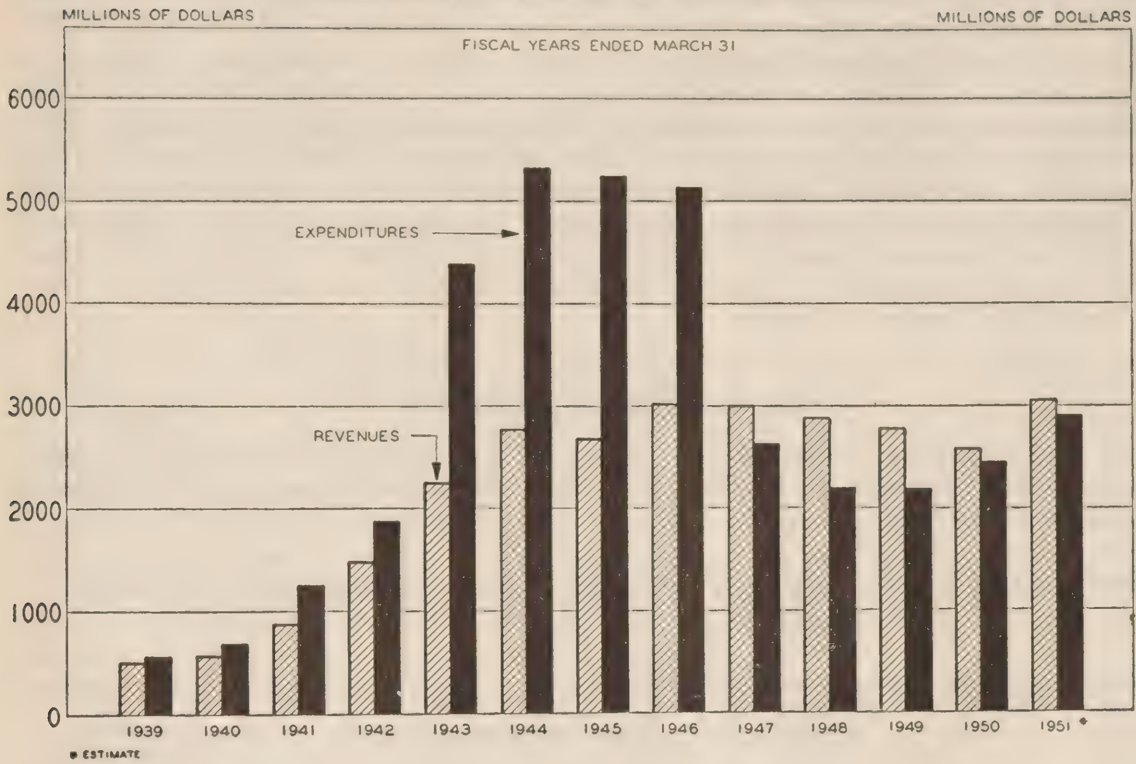
—	Fiscal Year Ended March 31				
	1947	1948	1949	1950	Estimated 1951
	$	$	$	$	$
Revenues					
Ordinary revenues	2,588·5	2,629·8	2,649·1	2,528·7	3,012·7
Capital refunds	0·1	0·1	0·1	0·1	0·1
Special receipts and other credits	419·3	241·8	122·2	51·3	92·5
Total Revenues	3,007·9	2,871·7	2,771·4	2,580·1	3,105·3
Expenditures					
Ordinary expenditures	1,236·2	1,380·0	1,573·4	1,701·3	2,681·0
Capital expenditures	11·2	15·7	18·5	22·9	16·5
War, demobilization and reconversion expenditures	1,314·8	634·4	425·6	468·6	....
Special expenditures	31·9	63·1	34·8	37·9	113·6
Government-owned enterprises	10·7	18·7	39·7	52·4	8·4
Other charges, including the write down of assets	29·4	83·7	83·9	165·5	82·3
Total Expenditures	2,634·2	2,195·6	2,175·9	2,448·6	2,901·8
Budgetary Surplus	373·7	676·1	595·5	131·5	203·5

6. Total revenues, estimated at $3,105 million for 1950–51 are expected to show an increase of $525 million over the total for the previous year. Total expenditures are estimated at $2,902 million, or $453 million more than the corresponding total for 1949–50.

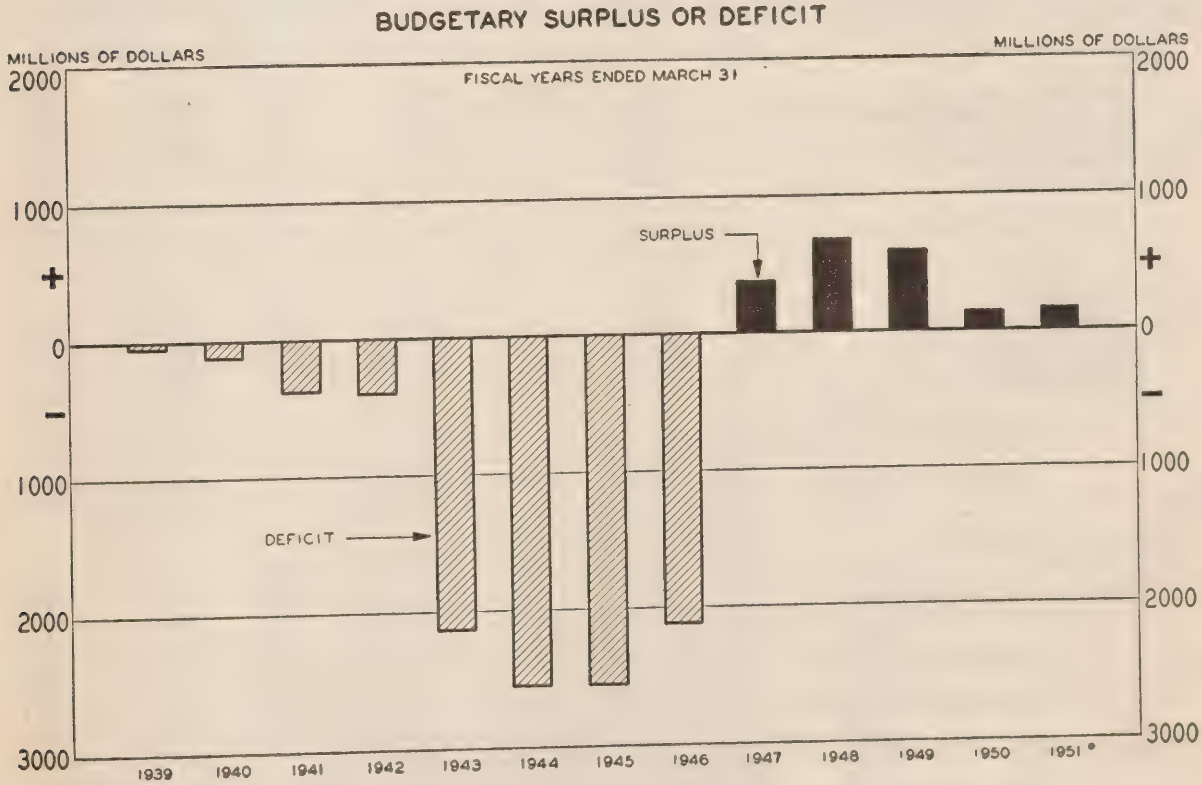
7. Ordinary revenues are estimated at $3,013 million, an increase of $484 million over the total for the previous year. The total of $92 million for special receipts and credits represents an increase of $41 million over the total of $51 million received in 1949–50.

8. On the expenditure side, the total of ordinary expenditures for 1950–51 shows an increase of $511 million over the combined total of ordinary and demobilization and reconversion expenditures for the previous year (from $2,170

BUDGETARY REVENUES AND EXPENDITURES



BUDGETARY SURPLUS OR DEFICIT



million in 1949–50 to $2,681 million in 1950–51). The increase was attributable chiefly to increases of $388 million in National Defence expenditures, $76 million in the Government's contribution to the Civil Service Superannuation Fund, and $20 million in subsidies and compensation to provinces. An increase of $76 million in special expenditures (attributable largely to additional payments to the Canadian Wheat Board and emergency grants and payments in connection with flood and fire disasters) was offset by decreases of $6 million in capital expenditure, $44 million in government owned enterprises (reflecting a substantial decrease in the deficit of Canadian National Railways for the calendar year 1950) and $83 million in other charges (due largely to the absence in the year under review of any item comparable to the charge of $62 million in 1949–50 in connection with the assumption by Canada of part of the Newfoundland debt in accordance with the Terms of Union).

A. Analysis of Revenues

9. Estimated revenues for the year 1950–51, classified according to major categories are presented in the following table, along with corresponding figures for the previous fiscal year.

STATEMENT OF REVENUES, BY MAJOR CLASSIFICATIONS, FOR THE YEARS ENDED MARCH 31, 1951 AND MARCH 31, 1950

(In millions of dollars)

Source	Fiscal Year Ended March 31				Increase or Decrease (−)	
	1951 (Estimated)		1950		Amount	Percent
	Amount	Percent	Amount	Percent		
Ordinary revenues—						
Direct taxes—						
Personal income tax	652·0	21·0	622·0	24·1	30·0	4·8
Non-resident income taxes	62·0	2·0	47·5	1·8	14·5	30·5
Corporation income tax	800·0	25·8	603·2	23·4	196·8	32·6
Excess profits tax	10·0	0·3	−1·8	−0·1	11·8	....
Succession duties	34·0	1·1	29·9	1·2	4·1	13·7
Total direct taxes	1,558·0	50·2	1,300·8	50·4	257·2	19·8
Indirect taxes—						
Customs import duties	298·0	9·6	225·9	8·7	72·1	31·9
Excise duties	245·0	7·9	220·6	8·6	24·4	11·1
Excise taxes	675·0	21·7	571·5	22·2	103·5	18·1
Other taxes	4·9	0·2	4·4	0·1	0·5	11·4
Total indirect taxes	1,222·9	39·4	1,022·4	39·6	200·5	19·6
Total tax revenues	2,780·9	89·6	2,323·1	90·0	457·8	19·7
Non-tax revenues—						
Post office	90·0	2·9	84·5	3·3	5·5	6·5
Return on investments	89·1	2·9	91·5	3·5	−2·4	−2·6
Other non-tax revenues	52·7	1·6	29·6	1·2	23·1	78·0
Total non-tax revenues	231·8	7·4	205·6	8·0	26·2	12·7
Total ordinary revenues	3,012·7	97·0	2,528·7	98·0	484·0	19·1
Special receipts and credits	92·6	3·0	51·4	2·0	41·2	80·2
Total revenues	3,105·3	100·0	2,580·1	100·0	525·2	20·4

NOTE: Due to rounding off, columns may not add exactly to totals shown.

10. It will be noted that 50·2 per cent of grand total revenues for the year was derived from direct taxes, 39·4 per cent was obtained from indirect taxes, and the remaining 10·4 per cent was attributable to non-tax revenues and special receipts and credits.

Tax on Personal Incomes

11. The personal income tax yielded an estimated total of $652 million, an increase of $30 million over 1949–50. As the same rates have been in effect for the past two fiscal years the increase in revenue in 1950–51 is a reflection of the higher levels of income and employment which prevailed throughout the year.

Corporation Income Tax

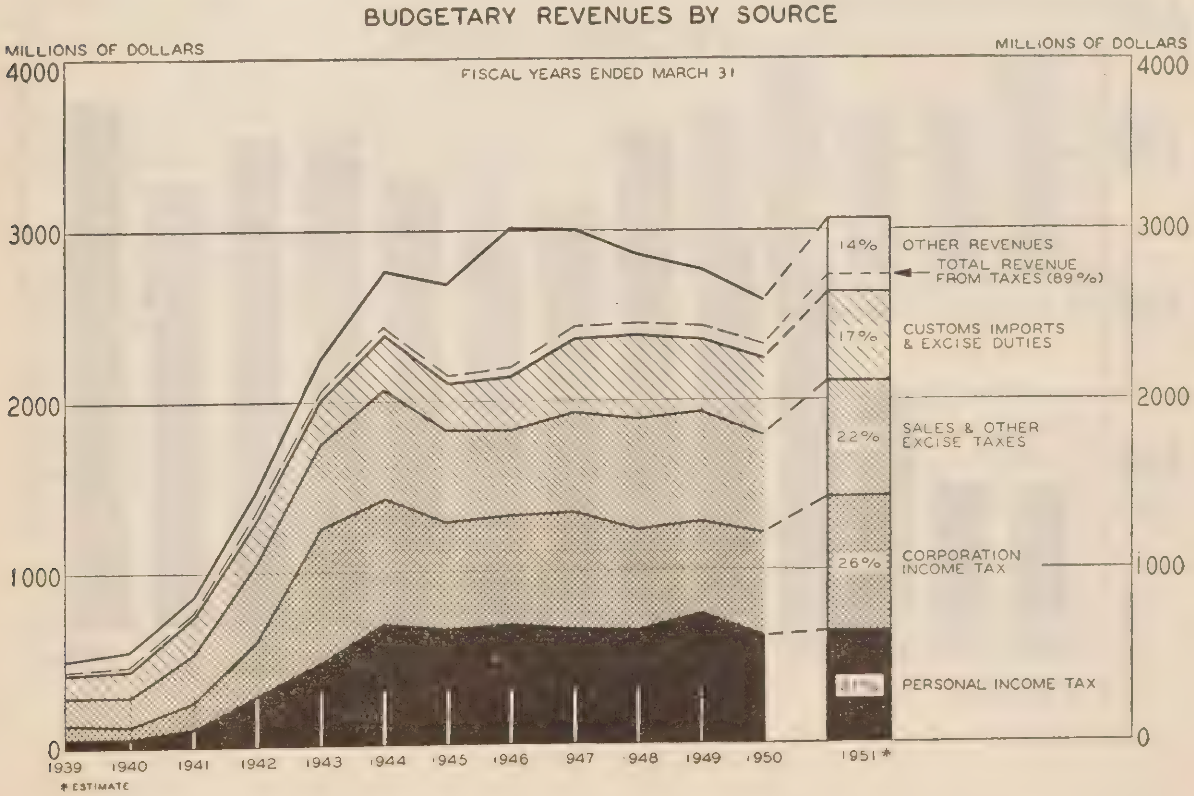
12. Corporation income taxes yielded an estimated total of $800 million making this the largest single source of revenue during the year. Collections from this tax showed an increase of $196·8 million over the previous year's total. This increase is attributable to higher profits in 1950 and also to the provision introduced in the 1950 budget which allowed private companies to capitalize their undistributed income on hand at the end of the 1949 taxation year upon payment of a tax of 15 per cent of the undistributed income. Nearly $91 million of the total taxes collected from corporations in 1950–51 represented the 15 per cent tax paid by private companies which have elected to take advantage of this provision.

13. The increase in the rates of tax from 10 per cent to 15 per cent and from 33 per cent to 38 per cent effective from September 1, 1950 also accounts for part of the increase in revenue in 1950–51.

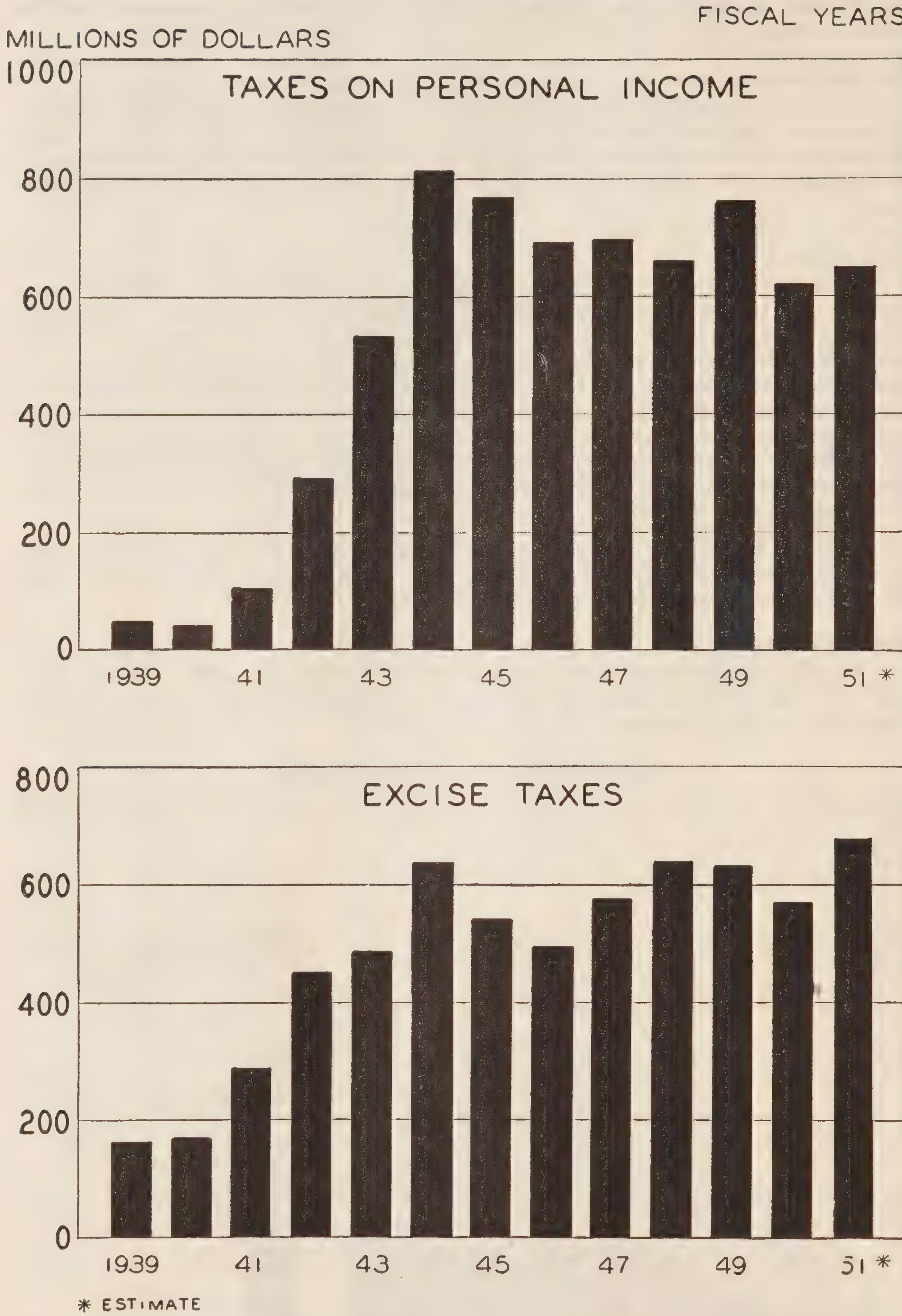
Excess Profits Tax

14. The excess profits tax ceased to be levied on profits earned after December 31, 1947 but the clean-up payments received during the year exceeded the refunds and adjustments by about $10 million.

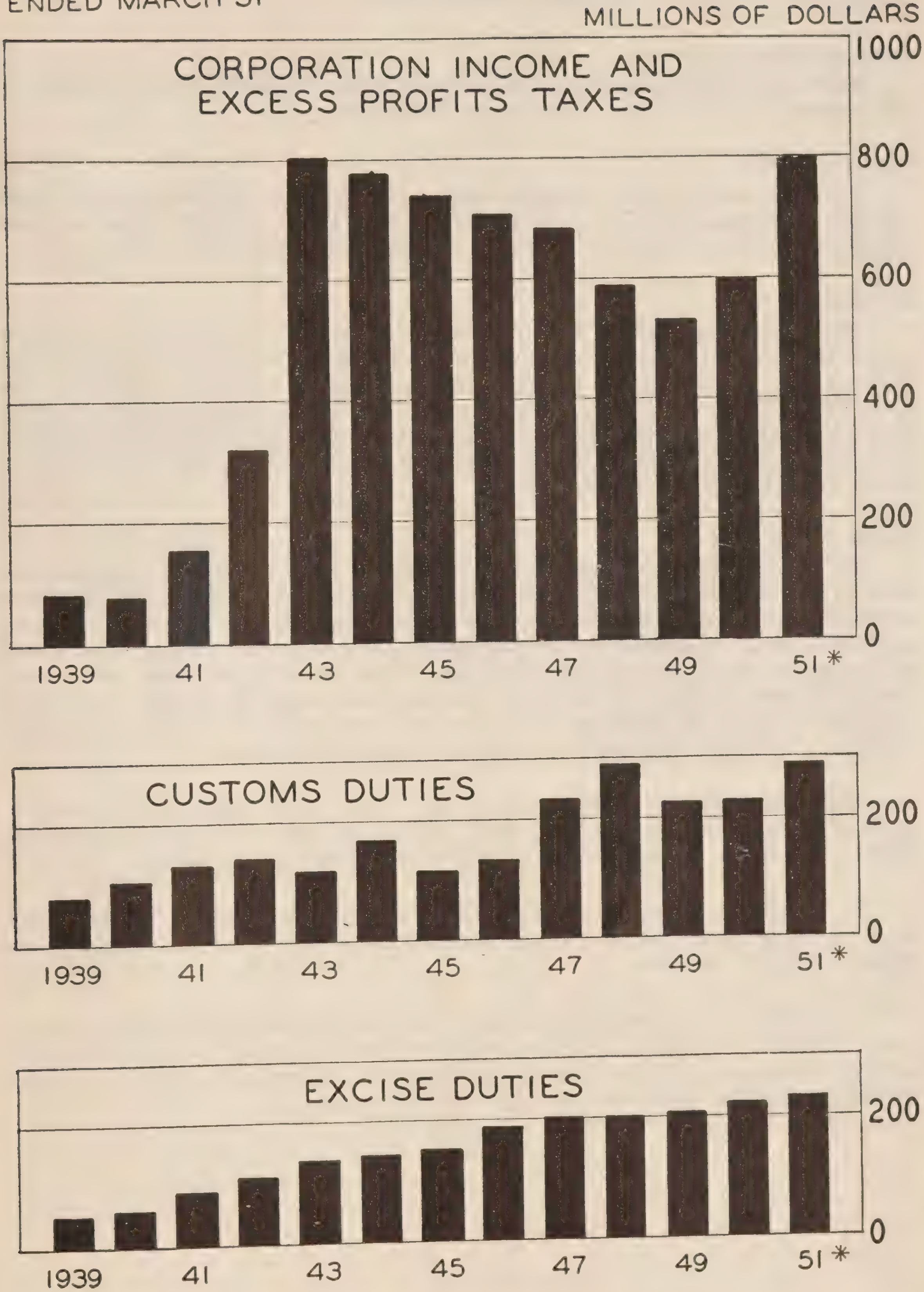
BUDGETARY REVENUES BY SOURCE



PRINCIPAL SOURCES



OF TAX REVENUES
ENDED MARCH 31



Taxes on Interest, Dividends, Rents and Royalties

15. Revenues under this heading come from withholding taxes on certain payments made to non-residents. The total of $62 million collected in 1950–51 is $14·5 million greater than in the previous year, an increase largely due to a higher level of dividend payments during 1950.

Succession Duties

16. Revenue from succession duties is estimated at $34 million for 1950–51, an increase of $4·1 million over the previous year.

Customs Duties

17. Net revenue from customs duties for the year is estimated at $298 million, an increase of $72·1 million over the total for 1949–50. This increase reflects the increased level of imports at higher prices during the year.

Excise Duties

18. Excise duties are levied exclusively on alcoholic beverages and tobacco products. The estimated total revenue from this source for the year is $245 million. This is an increase of $24·4 million over 1949–50 due mainly to the higher rates of tax on malt and spirits levied in September, 1950. Gross receipts from these duties, before deducting refunds, are divided as follows: $132 million from alcoholic beverages ($107 million in 1949–50) and $116 million from tobacco products ($116 million in 1949–50).

Excise Taxes

19. Excise taxes are levied on a variety of items under the Excise Tax Act. Total net collections for the year are estimated at $675 million, an increase of $103·5 million over 1949–50. This increase is due to higher levels of production and increased prices during the year and to the tax changes introduced in September 1950. At that time the rate of tax on all those items which had previously been subject to tax at 10 per cent was raised to 15 per cent and a number of items not previously taxed were made taxable at 15 per cent. In addition a tax of 30 per cent was levied on candy, chewing gum, and soft drinks.

20. The most important tax under the Excise Tax Act from the point of view of revenue is the sales tax, which yielded an estimated gross revenue of $471·1 million, an increase of $55·9 million over the previous year.

21. The second largest revenue source among the excise taxes is the tax on tobacco products which yielded approximately $83·2 million, slightly less than in the previous year.

22. Almost all tax sources showed an increase in revenue over the previous year. The tax on automobiles and rubber tires and tubes, which yielded an estimated total of $63 million during the year, showed the largest increase amounting to $24·8 million over the previous year.

23. The tax sources showing the largest increases, and the amount of the increase in each case, are given below.

—	Estimated increase over 1949–50
Automobiles, rubber tires and tubes	$24,807,000
Candy and chewing gum	9,370,000
Beverages	5,773,000
Jewellery, ornaments, etc	2,523,000
Electric and gas appliances	2,300,000
Phonographs, radios and tubes	2,099,000
Furs	1,363,000

Other Indirect Taxes

24. Small amounts of tax revenue were derived from the tax on the net premium income of insurance companies; from a tax on the export of electric energy from Canada; and from a tax on the export of furs from the Northwest Territories. Total revenue from all these sources in 1950–51 is estimated at $4·9 million, an increase of $0·5 million over the previous year.

Non-Tax Revenues

25. Non-tax revenues for 1950–51 are estimated at $231·8 million, an increase of $26·2 million over the 1949–50 total. The following table presents a comparative summary of revenues under this heading for the past two years:

—	Fiscal year ended Mar. 31		Increase or Decrease (−)
	1951 (Estimated)	1950	
	(In millions of dollars)		
Post Office	90·0	84·5	5·5
Return on investments	89·1	91·5	−2·4
Premium, discount and exchange	18·0	—	18·0
Bullion and coinage	4·8	4·5	0·3
Privileges, licences and permits	8·7	7·6	1·1
Proceeds from sales	4·2	2·9	1·3
Services and service fees	12·7	11·2	1·5
Refunds of previous years' expenditures	2·0	1·5	0·5
Miscellaneous	2·3	1·9	0·4
Total non-tax revenue	231·8	205·6	26·2

26. Post Office receipts are estimated at $90 million, an increase of $5·5 million over the total for the preceding year. As the total costs of operating the Post Office during the year are estimated at $92·1 million, it is expected that operating costs will exceed receipts by approximately $2·1 million. In making the comparison, however, it should be borne in mind that the total shown for Post Office receipts does not reflect the value of services rendered free of charge to other departments, nor does the total shown for operating expenses reflect any charges for premises owned by the Government and occupied by the Post Office Department or for certain accounting and miscellaneous services provided by other departments.

27. Return on investments is expected to show a small decrease of $2·4 million from the total received in 1949–50. The larger items entering into the estimated total of $89·1 million for 1950-51 are: Interest on advances to the Canadian National Railways, $21·8 million; Bank of Canada profits and dividends, $19·9 million; interest on loans to, and operating profits of, the Foreign Exchange Control Board, $14·8 million; interest on loans to foreign governments under Part II of The Export Credits Insurance Act, $15·5 million; interest on Central Mortgage and Housing debentures, $5·5 million; and interest on advances under the Soldier Settlement and Veterans' Land Acts, $3·7 million.

28. The estimated total of $18 million credited as premium discount and exchange revenue during 1950–51 may be compared with the charge of $19·7 million included in expenditures in 1949–50. This revenue arises chiefly from the revaluation of sterling and United States' dollar assets and liabilities reflecting the new exchange rates consequent upon the Government's announcement on September 30, 1950, that it did not propose to establish a fixed parity for the Canadian dollar or to prescribe official fixed rates of exchange. The net revenue of $18 million during 1950–51 is due mainly to bookkeeping adjustments totalling $20·7 million reflecting decreases of $18·8 million in net indebtedness payable in United States dollars (consisting of an exchange credit of $29·1 million on matured and unmatured funded debt less a debit of $10·3 million on cash held in New York) and $1·9 million in net indebtedness payable in sterling (consisting of an exchange credit of $2·9 million on unmatured funded debt less a debit of $1 million on cash and securities held in London). The total revenue of $20·7 million due to currency revaluations was offset by disbursements totalling $2·7 million representing exchange losses due to the purchases and sales of gold, sterling and United States dollars.

Special Receipts and Credits

29. The total of special receipts and credits for the fiscal year 1950–51 is estimated at $92·6 million as compared with total receipts of $51·4 million for the preceding year. The following table presents a comparative summary of the principal sources of special receipts and other credits for the last two years:

—	Fiscal year ended March 31		Increase or Decrease (−)
	1951 (Estimated)	1950	
	(In millions of dollars)		
War and demobilization receipts	45·2	34·8	10·4
Sale of surplus Crown assets	20·4	16·3	4·1
Refundable portion of excess profits tax—transfer to revenue of excess reserve set up in previous years	25·0	—	25·0
Repayment by Canadian Pacific Railway of loan made under Relief Acts (classified as non-active)	1·4	—	1·4
Sundry special receipts and credits	0·6	0·3	0·3
	92·6	51·4	41·2

30. War and demobilization receipts constituted the largest source of special revenues, the estimated total of $45·2 million received during 1950–51 being $10·4 million more than the total for the preceding year. The following summary gives an estimate of the principal receipts under this heading during 1950-51:

	(In millions of dollars)
Refunds in connection with cost audits and re-negotiation of war contracts......	$3·7
Amount received from Central Mortgage and Housing Corporation representing surplus funds in excess of $5 million reserve established by the Corporation and proceeds of sale of Wartime Housing properties..........................	7·4
Receipts from foreign governments in respect of military relief claims and currency credits arising from war settlements..	9·1
Balance of Canadian Sugar Stabilization Corporation's price stabilization contingency reserve transferred to revenue..	18·7
Estimated surplus of Canadian Arsenals Limited................................	1·7
Miscellaneous receipts..	4·6
	$45·2

31. The amount of $20·4 million realized from the disposal of surplus Crown assets represents the estimated receipts during the fiscal year from Crown Assets Disposal Corporation after allowing for transfers to active assets of amounts applicable to "Balances receivable under agreements of sale of Crown assets". It does not include the residual cash balances or the value of accounts receivable carried by the corporation as at March 31, 1951.

32. The amount of $25 million represents a transfer to revenue of the amount by which the reserve set up in previous years in respect of the refundable portion of excess profits tax is now estimated to be in excess of requirements.

Comparison of Actual Revenue with Budget Forecast

33. The total revenues now estimated for the year 1950–51 will be about $436 million more than the forecast of revenues made in the budget speech of September 7, 1950.

34. The revenues from customs import duties, the sales tax, and other excise taxes, proved much more buoyant than expected last September as prices continued to rise here and in the United States and the level of production in many lines reached new records.

35. The steadily rising level of salaries and wages and continued full employment brought the revenue from the personal income tax well above anything which could be foreseen seven months ago.

36. Rising prices, production at almost full capacity, and the coming into operation of new plant and equipment reflecting the large capital investment during recent years brought total corporation profits to a new high in Canada with consequent increases in the revenue from the corporation income tax. In addition the number of private companies which elected to pay the 15 per cent tax and capitalize their undistributed surplus greatly exceeded that expected in September with the result that revenue from this source exceeded that anticipated at the time of the budget in September by a substantial amount.

37. Higher dividend payments as a result of increased profits, a relaxation in November, 1950, of the Foreign Exchange Control Board requirements governing the payment of dividends by controlled subsidiaries in Canada to parent companies abroad, and an apparent desire on the part of parent companies in the United States to get profits home before United States tax rates increased resulted in the tax on "Interest, dividends, rents and royalties" yielding $14 million more than was expected last September.

38. The excess of non-tax revenue receipts over the budget forecast is due largely to the amount of $18 million for "Premium, discount and exchange" arising out of the revaluation of the Government's assets and liabilities payable in sterling and United States dollars consequent upon the freeing of the exchange rate for the Canadian dollar on September 30, 1950.

39. Special receipts and credits, which are always difficult to estimate in advance, were increased by the amount of $25 million transferred to revenue during the year which represented an excess provision in prior years for the reserve for refundable excess profits tax. This transfer was not anticipated when the budget was prepared in September.

DETAILED STATEMENT OF BUDGET FORECAST COMPARED WITH ACTUAL REVENUE FOR 1950–51

(In millions of dollars)

Source of Revenue	Budget Forecast of Revenue (Sept. 7, 1950)	Actual Revenue (Estimated)	Increase or Decrease (−) in Revenue as Compared with Budget Forecast
	$	$	$
Customs import duties	245·0	298·0	53·0
Excise duties	235·1	245·0	9·9
Sales tax (net)	415·0	459·1	44·1
Other excise taxes	205·3	215·9	10·6
Personal income tax	590·0	652·0	62·0
Corporation income tax	633·5	800·0	166·5
Interest, dividends, rents, royalties	48·0	62·0	14·0
Excess profits tax	....	10·0	10·0
Succession duties	30·0	34·0	4·0
Miscellaneous taxes	4·0	4·9	0·9
Total tax revenue	2,405·9	2,780·9	375·0
Non-tax revenue	203·0	231·8	28·8
Total ordinary revenue	2,608·9	3,012·7	403·8
Special receipts	60·0	92·6	32·6
Total revenue	2,668·9	3,105·3	436·4

B. Analysis of Expenditures

40. It has been customary to present in summary form a comparison of expenditures by major classifications for the current fiscal year with those of the previous fiscal year. However, due to the elimination of the category "demobilization and reconversion expenditures" in 1950–51, many payments, which were included under this heading in 1949–50, have been classed as "ordinary expenditures" in the year under review. Consequently, to compare

satisfactorily the expenditures of the several departments as between the two years, it is necessary to consider the combined total of "ordinary" and "demobilization and reconversion" expenditures for 1949–50 in relation to the estimated "ordinary" total for 1950–51. The table which follows presents a comparative summary of the expenditures for the past two years on this basis:

STATEMENT OF EXPENDITURES BY MAJOR CLASSIFICATIONS FOR THE YEARS ENDED MARCH 31, 1951 AND MARCH 31, 1950

(In millions of dollars)

—	Fiscal Year Ended March 31				Increase or Decrease (−)	
	1951 (Estimated)		1950			
	Amount	Per cent	Amount	Per cent	Amount	Per cent
ORDINARY FOR 1950-51 AND ORDINARY AND DEMOBILIZATION AND RECONVERSION FOR 1949-50						
National Defence—						
Army, Navy and Air Services....	536·3	18·5	348·0	14·2	188·3	54·1
Defence Research and Development..........	23·9	0·8	22·4	0·9	1·5	6·7
Pensions—Militia Pensions Act...	5·0	0·2	5·0	0·2	....	....
Government's contribution to Permanent Forces Pension Fund	12·0	0·4	9·0	0·4	3·0	33·3
Defence Appropriation Act 1950, Sec. 3..........	195·4	6·7	....	....	195·4	....
Sundry services..........	0·3	....	0·5	....	−0·2	−40·0
	772·9	26·6	384·9	15·7	388·0	100·8
Public Debt Charges—						
Interest on Public Debt..........	425·2	14·6	439·8	18·0	−14·6	−3·3
Other Debt Charges..........	13·8	0·5	11·0	0·4	2·8	25·5
	439·0	15·1	450·8	18·4	−11·8	−2·6
Subsidies and Compensation to Provinces (including Transitional Grant to Newfoundland).	123·9	4·3	103·9	4·2	20·0	19·2
Family Allowances..........	309·5	10·7	297·5	12·2	12·0	4·0
Old Age Pensions and Pensions to Blind Persons..........	103·2	3·6	93·2	3·8	10·0	10·7
Government's contribution to Superannuation Account..........	81·9	2·8	5·5	0·2	76·4	1,389·1
Unemployment Insurance Act—						
Administration and Government's Contribution..........	53·5	1·8	45·1	1·8	8·4	18·6
Premium, Discount and Exchange..	....	....	19·7	0·8	−19·7	....
Agriculture..........	49·6	1·7	47·5	1·9	2·1	4·4
Citizenship and Immigration..........	21·4	0·7	17·7	0·7	3·7	20·9
Mines and Technical Surveys..........	18·0	0·6	23·6	1·0	−5·6	−23·7
National Revenue..........	49·6	1·7	50·6	2·1	−1·0	−2·0
Post Office..........	92·1	3·2	82·6	3·4	9·5	11·5
Public Works..........	72·5	2·5	67·1	2·7	5·4	8·0
Resources and Development..........	34·4	1·2	25·4	1·0	9·0	35·4
Trade and Commerce..........	41·4	1·4	41·2	1·7	0·2	0·5
Transport..........	63·6	2·2	52·5	2·2	11·1	21·1
Veterans Affairs..........	180·8	6·2	180·7	7·4	0·1	0·1
Post Discharge Rehabilitation Benefits..........	12·9	0·5	25·1	1·0	−12·2	−48·6
War Service Gratuities and Re-establishment Credits..........	16·0	0·6	22·5	0·9	−6·5	−28·9
Other Departments..........	144·8	5·0	132·8	5·5	12·0	9·0
TOTAL..........	2,681·0	92·4	2,169·9	88·6	511·1	23·6
CAPITAL EXPENDITURE..........	16·5	0·6	22·9	0·9	−6·4	−27·9
SPECIAL EXPENDITURE..........	113·7	3·9	37·9	1·6	75·8	200·0
GOVERNMENT OWNED ENTERPRISES	8·4	0·3	52·4	2·1	−44·0	−84·0
OTHER CHARGES..........	82·3	2·8	165·5	6·8	−83·2	−50·3
GRAND TOTAL..........	2,901·8	100·0	2,448·6	100·0	453·2	18·5

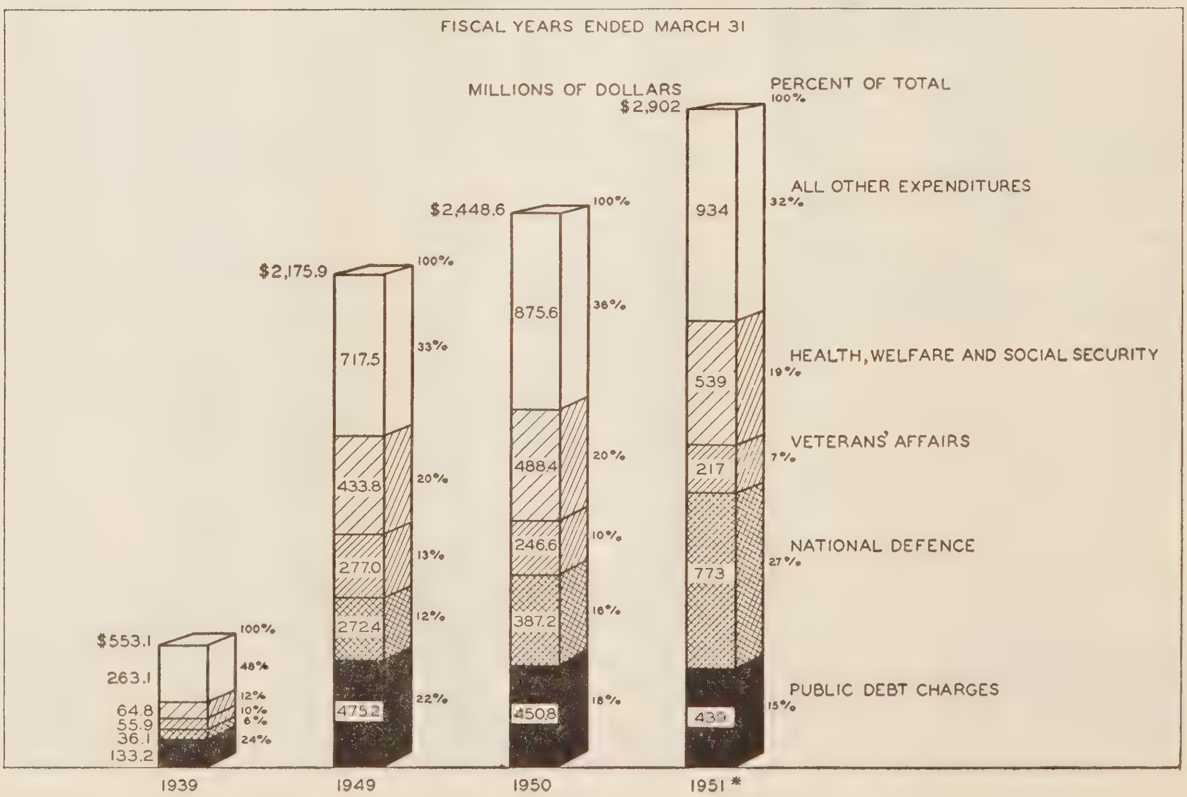
National Defence

41. National defence expenditures, which are estimated at \$772·9 million for 1950–51 constitute the largest class of government expenditures, representing 26·6 per cent of the over-all total for the fiscal year. This total, representing an increase of \$388·0 million, is more than double the total of \$384·9 million spent on national defence in 1949–50. The following table shows a comparative summary of the expenditures on national defence for the last two years:

—	Fiscal Year Ended March 31		Increase or Decrease (—)
	1951 (Estimated)	1950	
	(In millions of dollars)		
Army, Navy and Air Services	536·3	348·0	188·3
Defence Research and Development	23·9	22·4	1·5
Defence Appropriation Act, 1950, sec. 3	195·4	....	195·4
Pensions—Militia Pensions Act	5·0	5·0	....
Government's contribution to the Permanent Forces Pension Fund	12·0	9·0	3·0
Sundry Services	0·3	0·5	−0·2
	772·9	384·9	388·0

42. Expenditures for Army, Navy and Air Services are expected to show an increase of \$188·3 million, the total for 1950–51 being estimated at \$536·3 million. Of this total, \$47·8 million represents payments to Central Mortgage and Housing Corporation for housing accommodation for married quarters for service personnel, etc., taken over by the department during the year. A like item of \$0·6 million is included in the total of \$23·9 million for defence research

BUDGETARY EXPENDITURE



* ESTIMATE

and development. The amount of \$195·4 million shown under "Defence Appropriation Act, 1950, sec. 3," represents the value of defence equipment and supplies transferred to parties to the North Atlantic Treaty. Under the provisions of this section, an amount equal to the estimated present value of the equipment and supplies so transferred was paid into a special account, to be available subsequently for the purchase of equipment or supplies for the naval, army or air services of the Canadian Forces.

Public Debt Charges

43. Public debt charges constituted the second largest single item of government expenditure in 1950–51 comprising 15·1 per cent of the over-all total, but due to a substantial decrease in interest on public debt the total of \$439 million was \$11·8 million less than the corresponding amount for the previous year. Interest on public debt amounted to \$425·2 million, the decrease of \$14·6 million from the total for 1949–50 being attributable primarily to a reduction in the outstanding unmatured funded debt. A reduction of \$18·7 million in the payment of interest on the outstanding funded debt, of which \$16·3 million was on debt payable in Canada, was offset by an increase of \$4·1 million in interest paid or credited to various annuity, insurance, superannuation, deposit and trust accounts.

44. Other public debt charges including the annual charges for the amortization of loan discounts, premiums and commissions, the costs of new loan flotations (not amortized), and certain miscellaneous charges for debt servicing amounted to \$13·8 million as compared with \$11 million for the previous year and brought the total of all debt charges for the year to \$439 million.

45. The following table presents a summary of public debt charges for 1950–51 and the corresponding figures for the preceding year.

—	Fiscal Year Ended March 31		Increase or Decrease (−)
	1951 (Estimated)	1950	
	(In millions of dollars)		
Interest on Public Debt—			
Funded Debt and Treasury Bills—			
Payable in Canada	377·8	394·1	−16·3
Payable in London	1·8	2·2	−0·4
Payable in New York	10·3	12·3	−2·0
	389·9	*408·6*	*−18·7*
Deposit and Trust Accounts	2·8	2·4	0·4
Insurance Pension and Guaranty Accounts	32·5	28·8	3·7
Total Interest on Public Debt	425·2	439·8	−14·6
Annual Amortization of bond discounts and commissions	12·5	9·7	2·8
Servicing of public debt	0·4	0·5	−0·1
Cost of loan flotations	0·9	0·8	0·1
Total Public Debt Charges	439·0	450·8	−11·8

Subsidies and Tax Rental Payments to Provinces

46. Payments to provinces during 1950–51 for statutory subsidies, the transitional grant to Newfoundland, rentals under the Tax Rental Agreements, and the transfer of certain public utility tax receipts, amounted to $123·9 million as compared with $103·9 million in 1949–50. A comparative summary of the payments for the two years is given in the following table:

—	Fiscal year ended March 31		Increase or Decrease (−)
	1951 (Estimated)	1950	
	(In millions of dollars)		
Statutory subsidies	18·7	19·2	−0·4
Transitional grant to Newfoundland	6·5	6·5	—
Rentals under Tax Rental Agreements	94·1	76·9	17·2
Transfer of certain public utility tax receipts (sec. 7, Chap. 58, Statutes of Canada, 1947)	4·6	1·4	3·2
	123·9	103·9	20·0

47. The net increase of $20 million was the result of several factors. The estimated increase of $17·2 million in payments under the tax rental agreements was due in part to an increase of $14·3 million reflecting the appropriate adjustment in the relevant ratios of population and estimates of gross national product on which the payments are based. Under the provisions of the Dominion-Provincial Tax Rental Agreements Act the Government of Canada collects provincial 5 per cent corporation taxes for the seven provinces participating in the 1947 agreements. Although levied by the provinces, these taxes are administered and collected by the Government of Canada and the proceeds thereof, when finally assessed, are paid to the provinces in lieu of an equivalent (or approximately equivalent) portion of the stipulated tax rental. As payments during 1950–51 were $2·9 million less than those during 1949–50, tax rentals payments were increased by a corresponding amount. There was also an increase of $3·2 million in payments of public utility tax receipts. Section 7 of the Dominion-Provincial Tax Rental Agreements Act authorizes the payment to the provinces of a portion of the taxes collected from corporations, whose main business was the distribution to, or the generation for the distribution to, the public of electrical energy, gas or steam.

48. A summary of payments, by provinces, during 1950–51 is given in the following table:

—	Statutory Subsidies	Rentals under Tax Rental Agreements	Transfer of certain public utility tax receipts	Transitional Grant	Total
	(In millions of dollars)				
Newfoundland	1·5	7·2	(1)	6·5	15·2
Nova Scotia	2·0	11·4	0·2	—	13·6
Prince Edward Island	0·7	2·0	(1)	—	2·7
New Brunswick	1·6	10·1	0·3	—	12·0
Quebec	2·9	—	0·8	—	3·7
Ontario	3·1	—	1·2	—	4·3
Manitoba	1·7	14·0	0·2	—	15·9
Saskatchewan	2·1	15·4	(1)	—	17·6
Alberta	2·1	14·8	0·8	—	17·7
British Columbia	1·0	19·2	1·0	—	21·2
	18·7	94·1	4·6	6·5	123·9

(1) Less than $50,000.

Family Allowances, Old Age Pensions and Pensions to Blind Persons

49. Payments for family allowances are estimated at $309·5 million for 1950–51, representing approximately 10·7 per cent of the total expenditures for the fiscal year. The estimated increase of $12 million over the preceding year is attributable to the natural increase in population in the eligible age groups.

50. Expenditures for old age pensions are expected to total $99·3 million. The increase of approximately $9·6 million over the total for the previous year is due in part to an increase in the numbers receiving aid and in part to the increase from $30 to $40 per month in the basic rate of pension provided by legislation enacted in April, 1949, the full effects of which were not reflected in the payments for 1949–50. Pensions to the blind are expected to amount to $3·9 million in 1950–51, an increase of $0·4 million over the payments for the previous year.

51. The estimated distribution of these payments, by provinces, is shown in the following table:

—	Family Allowances	Federal Contributions to	
		Old Age Pensions	Pensions to the Blind
	(In millions of dollars)		
Newfoundland	10·2	3·8	0·1
Nova Scotia	15·7	6·6	0·3
Prince Edward Island	2·4	1·0	(1)
New Brunswick	13·8	5·4	0·4
Quebec	99·6	24·5	1·4
Ontario	89·0	30·0	0·9
Manitoba	16·2	6·0	0·2
Saskatchewan	19·2	5·8	0·2
Alberta	20·8	5·8	0·2
British Columbia	22·0	10·3	0·2
Northwest and Yukon Territories	0·6	0·1	(1)
	309·5	99·3	3·9

(1) Less than $50,000.

Unemployment Insurance Act Administration and Government's Contribution

52. Expenditures in connection with the Unemployment Insurance Act (excluding the Government's payments as employer) are estimated at $53·5 million for the fiscal year, an increase of $8·4 million over the total of $45·1 million for 1949–50. Unemployment Insurance benefit payments are not charged directly to budgetary expenditures, but to the Unemployment Insurance Fund, which is financed by contributions from employers and employees, by interest earned on investments, and by the Government's contribution of an amount equal to one-fifth of the combined employer-employee payments. In addition, the Government assumes the costs of administration and pursuant to the Terms of Union with Newfoundland, the cost of unemployment benefits to certain residents of that province. It also reimburses the Fund for certain supplementary benefits paid under section 87F (1) of the Act. The Government's contribution during 1950–51 is estimated at $26·1 million, an increase of $5·0 million over that for the previous year and costs of administration are estimated at $22·4 million, as compared with $20·4 million in 1949–50. Payments of unemployment benefits to residents of Newfoundland are expected to amount to $3·2 million, a decrease of $0·4 million as compared with the total of $3·6 million paid in 1949–50. Supplementary benefits under section 87F (1) of the Act are estimated at $1·8 million for the fiscal year.

Government Contributions to the Civil Service Superannuation Account

53. An amount of $75 million was transferred to the Civil Service Superannuation Account during the fiscal year as a special Government contribution of a portion of the amount by which the liabilities as estimated by the actuaries exceed the balance in the account. This special contribution is in respect of a substantial deficiency which has accumulated in the account over many years due for the most part to increases in the general level of salaries and to the practice heretofore followed of not matching employees' prior service contributions with an equal Government contribution. It is in addition to the transfer to the account of $6·9 million representing the Government's annual contribution of an amount equal to the estimated current payments of individual contributors in the previous fiscal year.

Veterans Affairs

54. Ordinary expenditures of the Department of Veterans Affairs are estimated at $209·7 million for 1950–51, a decrease of $18·6 million as compared with the combined total of $228·3 million for "ordinary" and "demobilization and reconversion" expenditures for the previous fiscal year. The table which follows presents a comparative summary of the expenditures for the last two years:

—	Fiscal year ended March 31		Increase or Decrease (−)
	1951 (Estimated)	1950	
	(In millions of dollars)		
Pensions (World Wars I and II and Northwest Rebellion 1885)..	96·3	96·1	0·2
Treatment and after care of returned soldiers and allowances to veterans and dependents..........	73·1	69·8	3·3
War service gratuities and re-establishment credits..........	16·0	22·5	−6·5
Post-discharge rehabilitation benefits..........	12·9	25·1	−12·2
Soldier Settlement and Veterans' Land Acts..........	6·4	7·4	−1·0
Hospital accommodation and facilities..........	2·7	3·8	−1·1
Departmental administration and sundry..........	2·1	3·6	−1·5
	209·7	228·3	−18·6

55. The net decrease of $18·6 million is attributable chiefly to decreases of $12·2 million in post-discharge rehabilitation benefit payments and $6·5 million in war service gratuities and re-establishment credits. An estimated increase of $3·3 million in treatment and after care of soldiers and allowances to dependents is offset by approximately equivalent reductions in expenditures under the Soldier Settlement and Veterans' Land Acts, and for hospital accommodation and facilities, departmental administration and sundry services.

CAPITAL EXPENDITURES

56. Expenditures charged to capital account are estimated at $16·5 million for the fiscal year as compared with a total of $22·9 million for the previous fiscal year. The principal items in this category are the costs of constructing and improving civil airways and airports, the costs of dredging the St. Lawrence ship channel, and expenditures for the enlargement of dock and terminal facilities at North Sydney, N.S., and for the reconditioning, outfitting and transporting to their operating base of vessels for Pacific Ocean weather station service.

SPECIAL EXPENDITURES

57. Special expenditures are estimated at \$113·7 million for the fiscal year, an increase of \$75·8 million compared with the total of \$37·9 million for 1949–50. There were increases of \$63 million in payments to the Canadian Wheat Board, \$12·1 million in emergency grants and expenditures in connection with flood and fire disasters, \$9·6 million in expenditures on agricultural and other projects, and \$0·9 million in payments to certain Crown Corporations for reimbursement of the costs of services rendered by them in purchasing materials and procuring the construction of defence projects for the Department of National Defence. These increases, however, were partially offset by a decrease of \$9·9 million in advances to the Prairie Farm Emergency Fund under the Prairie Farm Assistance Act, 1939.

58. The following table presents a comparative summary of special expenditures for the last two years.

—	Fiscal Year Ended March 31		Increase or Decrease (−)
	1951 (Estimated)	1950	
	(In millions of dollars)		
Agricultural and Other Projects	24·4	14·8	9·6
Prairie Farm Assistance Act, 1939—			
Administration	0·4	0·4	—
Advances to Prairie Farm Emergency Fund	3·2	13·1	−9·9
Canadian Wheat Board—			
Deficits in 1947 crop account, Flax Division	....	0·2	−0·2
Deficits in 1948 crop account, Flax Division	2·5	3·9	−1·4
Deficits in 1948 crop, rapeseed account	....	0·4	−0·4
Payment *re* 1945–1950 Wheat Pool	65·0	....	65·0
Reimbursement for expenses incurred in the administration of delivery quotas and permit regulations, etc	0·1	0·1	—
Emergency Grants and Expenditures—			
Canada's share of the cost of repairing and reconstructing dykes, and other protection of works in the Fraser Valley	....	4·0	−4·0
Canada's share of the cost of planning and constructing emergency works to safeguard against the danger of floods in the Red River Valley	2·4	....	2·4
Grant to assist the Province of Manitoba *re* Red River Floods, 1950	12·5	....	12·5
Grant to assist the Province of Quebec *re* Rimouski fire, 1950	1·0	....	1·0
Grant to assist the Province of Quebec *re* Cabano fire, 1950	0·2	....	0·2
Reimbursement to Canadian Commercial Corporation for expenses in purchasing materials, etc., on behalf of Department of National Defence	1·4	1·0	0·4
Expenses incurred by Defence Construction Ltd., in procuring the construction of defence projects on behalf of Department of National Defence	0·5	....	0·5
Total Special Expenditures	113·7	37·9	75·8

59. The amount of \$65 million represents the amount authorized to be paid to the Canadian Wheat Board to be added to the amount available for distribution in settlement of the 1945–50 wheat pool to holders of participation certificates.

GOVERNMENT OWNED ENTERPRISES

60. Expenditures under this heading consist of the operating deficits of and non-active loans to certain wholly owned governmental enterprises which were established prior to World War II. The following table presents a comparative summary of the expenditures under this category for the last two years:

—	Fiscal Year Ended March 31		Increase or Decrease (−)
	1951 (Estimated)	1950	
	(In millions of dollars)		
Net Income Deficits—			
Canadian National Railways	3·3	42·0	−38·7
Canadian National (West Indies) Steamships, Ltd	1·0	0·5	0·5
Prince Edward Island Car Ferry and Terminals	1·3	1·2	0·1
Trans-Canada Airlines	1·3	4·3	−3·0
National Harbours Board	0·2	0·1	0·1
	7·1	48·1	−41·0
Loans and Advances, Non-Active—			
National Harbours Board	1·4	4·2	−2·8
Total Government Owned Enterprises	8·4	52·4	−44·0

61. The decrease of $44 million as compared with the previous year is accounted for largely by a decrease of $38·7 million in the deficit of the Canadian National Railways from $42 million for the calendar year 1949 to $3·3 million for the year 1950. The overall C.N.R. deficit includes all interest charges paid on government advances. It should be noted, therefore, that although the charges to the government's expenditures for the fiscal year reflect the absorption of the C.N.R.'s total deficit of $3·3 million, the government's revenues for the year also include under "Return on Investments" an amount of $21·8 million received from the railways for interest on advances.

62. Other items contributing to the overall reduction include decreases of $3 million in the deficit of Trans-Canada Airlines for the calendar year 1950 as compared with that for 1949, and of $2·8 million in non-active advances to the National Harbours Board.

OTHER CHARGES, INCLUDING THE WRITE-DOWN OF ASSETS

63. The total expenditures for the fiscal year in this category are estimated at $82·3 million, a decrease of $83·2 million, as compared with the corresponding total of $165·5 million for 1949–50. The decrease is attributable to the absence in the accounts for the year under review of any items comparable to the charges in 1949–50 of $62·3 million in connection with the assumption by Canada of part of the Newfoundland debt in accordance with the Terms of Union, and of $21·7 million in connection with the write-down of certain active assets to non-active accounts.

64. The principal item is again an amount of $75 million transferred to the general reserve for possible losses on the ultimate realization of active assets. This reserve was originally established in 1940–41 and the sum of $25 million was set aside annually from that time up to and including the fiscal year 1946–47. In 1947–48, 1948–49, 1949–50 and again this year the annual provision has been $75 million—the larger amount being deemed advisable to offset the charges that have been made to the reserve during the recent years and to establish the

reserve at a level more commensurate with the magnitude of the Government's active assets. The reserve now stands at $395·9 million and is equivalent to approximately 7 per cent of the aggregate active assets.

65. Also included under this classification is the reserve provision of $7·3 million for conditional benefits under the Veterans' Land Act.

4. THE CASH ACCOUNTS

66. The full effects of the Government's financial operations are not reflected in the budgetary accounts; cash receipts from and cash payments to the public and the consequent cash surplus or deficit are more significant factors in determining the Government's borrowing program and in assessing the impact of the Government's transactions upon the other sectors of the Canadian economy. However, before proceeding to analyze the cash transactions, two preliminary comments should be made.

67. In the first place, it should be noted that some of the revenues and expenditures, which are included in the determination of the Government's budgetary surplus or deficit, are merely bookkeeping or accounting entries which do not involve the current receipt or outlay of cash. In the second place, it should be pointed out that the financial operations of the Government are not confined to the collection of revenues or the making of expenditures in the strict or narrow accounting or budgetary meaning of those terms. Large amounts of cash are received and disbursed in connection with extra-budgetary transactions and these receipts and disbursements must be taken into account when measuring the impact of the Government's financial operations upon the economy.

68. Examples of non-cash budgetary expenditures are the annual provision for the reserve for possible losses on the ultimate realization of active assets, the write-off of a loan or advance where the debt has been cancelled or is no longer collectable, government contributions and interest transferred to deposit and trust and insurance, pension and guaranty accounts, interest accruals on War Savings Certificates, and the amortization of cash outlays made in previous years applicable to the current year (such as payments for premiums, discounts and commissions on loans). Examples of non-cash budgetary revenues are interest accruals added to principal on the consolidation of loans and the transfer to revenue of balances held in deferred credits, deposit or reserve accounts.

69. The extra-budgetary receipts and disbursements relate to transactions which result in increases or decreases in the Government's assets and liabilities, and they do not, therefore, appear in the Government's "Income" account nor do they enter into the calculation of the annual budgetary surplus or deficit. On the assets side, the transactions relate, for the most part, to advances and repayments of loans and investments to government agencies, foreign, provincial and municipal governments and other borrowers, and to a lesser extent to outlays for the acquisition of inventories of materials which will be used in the future, and for services rendered in one year but applicable to the accounts of subsequent years. On the liabilities side, the transactions relate primarily to the issue and redemption of securities representing the funded debt of Canada, and to receipts and payments in connection with the numerous deposit and trust, and annuity, insurance and pension funds held or administered by the Government.

70. As explained in the section "Highlights of Governmental Financial Operations During 1950–51", when the Government's budgetary surplus of $203·5 million for the fiscal year was adjusted for non-cash transactions, an amount of approximately $642·3 million remained. This sum, together with $150·2 million received from the repayment of loans, investments and

working capital advances, net insurance, pension and annuity account contributions and other non-budgetary cash receipts, made \$792·5 million available for making loans and investments and other non-budgetary outlay. Necessary loans and investments and other non-budgetary cash disbursements totalling \$611·7 million which would otherwise have had to be financed by additional borrowing, were made during the fiscal year out of available cash resources, leaving a cash surplus of \$180·8 million available for the reduction of outstanding funded debt.

71. The following summary, supported by a more detailed statement in the Supplementary Tables appended to this Part, shows an estimate of these non-income transactions, their relationship to the budgetary accounts, and their effect upon the government's net cash position.

	(In millions of dollars)			
BUDGETARY REVENUES		\$3,105·3		
Deduct: Non-cash revenues		44·0		
Net cash budgetary revenues		\$3,061·3		
Add: Non-budgetary receipts—				
Net annuity, insurance and liability account receipts	\$ 82·7			
Repayments to government of loans and investments and working capital advances	67·5			
		150·2		
CASH RECEIPTS (EXCLUDING DEBT TRANSACTIONS)				\$3,211·5
BUDGETARY EXPENDITURES			\$2,901·8	
Deduct: Non-cash expenditures			482·8	
Net cash budgetary expenditures			\$2,419·0	
Add: Non-budgetary disbursements—				
Advances to Foreign Exchange Control Board	\$475·0			
Advances to Central Mortgage and Housing Corporation (net)	78·5			
Loans to Canadian National Railways	19·9			
Loans to Canadian Farm Loan Board	2·0			
Soldier Settlement and Veterans Land Acts advances	15·1			
Other loans and investments (net)	3·5			
	594·0			
Cost of loan flotations	10·0			
Net disbursements from sundry suspense accounts	7·7			
			611·7	
CASH DISBURSEMENTS (EXCLUDING DEBT TRANSACTIONS)				3,030·7
CASH SURPLUS AVAILABLE FOR DEBT REDUCTION OR INCREASE IN CASH BALANCES				\$ 180·8

72. The figures indicate that after adjusting the budgetary revenues for non-budgetary receipts, a total of \$3,211·5 million was available to the Government during the fiscal year. Out of this, budgetary cash expenditures of \$2,419·0 million and non-budgetary disbursements of \$611·7 million were made, leaving a cash surplus of \$180·8 million available for debt reduction or increase in cash balances. The total of non-budgetary receipts is estimated at \$150·2 million, made up of \$82·7 million for net annuity, insurance and liability account receipts and \$67·5 million for repayments of sundry loans and investments, of which \$43·8 million was from the United Kingdom and other governments. Non-budgetary disbursements, which amounted to \$611·7 million, consisted of \$475 million for advances to the Foreign Exchange Control Board, \$78·5 million for advances to Central Mortgage and Housing Corporation for housing constructions and housing loans, \$19·9 million for advances to the Canadian National Railways, \$20·6 million for miscellaneous loans or investments and working capital advances (including \$15·1 million for loans to veterans), \$10 million for discounts and commissions on loan flotations and \$7·7 million for net payments from sundry suspense accounts.

73. As a result of total cash receipts exceeding total disbursements by $180·8 million and by letting cash balances run down by $25·4 million, the Government was able to acquire or retire funded debt outstanding in the hands of the public by a net amount of $206·2 million. A reconciliation of the cash surplus of $180·8 million, the reduction in outstanding funded debt, and the net change in the Government's cash position is shown below.

(In millions of dollars)

Cash surplus—or excess of total receipts over disbursements		$180·8
Net purchases of securities—		
For Securities Investment Account	$5·2	
For Sinking Fund Account	0·8	
For Unemployment Insurance Fund	83·8	
	89·8	
Net retirement of funded debt	116·4	
		206·2
Net decrease in cash balances during the year (excluding blocked currency)		$25·4

5. ESTIMATED BALANCE SHEET POSITION AT MARCH 31, 1951

74. The following table presents, in summary form, the Government's estimated balance sheet position at March 31, 1951, with the comparable figures for March 31, 1950.

SUMMARY OF THE GOVERNMENT'S BALANCE SHEET POSITION AS AT MARCH 31, 1951 AND MARCH 31, 1950

(In millions of dollars)

—	Fiscal Year Ended March 31		Increase or Decrease (—)
	1951	1950	
	$ (Estimated)	$	$
LIABILITIES			
Floating debt	498·1	505·5	−7·4
Deposit and trust accounts	118·0	132·7	−14·7
Insurance, pension and guaranty accounts	986·4	810·9	175·5
Deferred credits	11·8	11·0	0·8
Sundry suspense accounts	254·7	70·8	183·9
Province debt accounts	11·9	11·9	....
Reserve for certain contingent liabilities	27·0	19·8	7·2
Funded debt	15,027·3	15,188·1	−160·8
	16,935·2	16,750·7	184·5
ACTIVE ASSETS			
Cash and other current assets	1,893·7	1,478·6	415·1
Loans to, and investments in, Crown agencies	1,256·0	1,155·0	101·0
Other loans and investments	2,676·7	2,711·0	−34·3
Province debt accounts	2·3	2·3	....
Deferred charges	60·0	62·5	−2·5
Sundry suspense accounts	1·3	17·6	−16·3
Total Active Assets	5,890·0	5,427·0	463·0
Less: Reserve for possible losses on ultimate realization of active assets	395·9	320·9	−75·0
Net Active Assets	5,494·1	5,106·1	388·0
NET DEBT (Excess of liabilities over net active assets)	11,441·1	11,644·6	−203·5

75. The aggregate liabilities of the Government as at March 31, 1951 are estimated at $16,935·2 million, an increase of $184·5 million over the corresponding total at the end of the previous year. Unmatured funded debt outstanding, including bonds, treasury bills, deposit certificates and the estimated refundable portion of excess profits taxes accounts for $15,027·3 million or approximately 89 per cent of all liabilities. Of the total unmatured funded debt now outstanding, only $419·9 million or approximately 2·8 per cent is payable in foreign currencies—$363·7 million payable in United States dollars and $56·2 million in pounds sterling. A complete statement in tabular form of the Government's unmatured funded debt at March 31, 1951, with details of interest rates, dates of maturity, annual interest charges, and amounts of principal outstanding for each loan may be found at the end of this Part.

76. Floating debt, consisting of outstanding cheques and interest, matured funded debt and similar demand liabilities is estimated at $498·1 million. Amounts at the credit of annuity, insurance, pension and guaranty accounts are expected to total $986·4 million.

77. The other principal items on the liabilities side of the balance sheet are: sundry suspense accounts (where some uncertainty as to disposition exists), $254·7 million; deposit and trust accounts (consisting of moneys deposited with or held in trust by the Receiver General for various purposes), $118 million; reserve for conditional benefits under the Veterans' Land Act, $27 million; province debt accounts (representing settlements arising out of agreements at the time of confederation), $11·9 million; and deferred credits (consisting of balances whose ultimate accounting treatment is known, but which are held until certain conditions are fulfilled), $11·8 million.

78. Offsetting these liabilities, and in a measure explaining their existence—as a substantial portion of the total debt is attributable to them—are the Government's active assets. Essentially, these consist of assets that yield interest, profits, or dividends, together with very liquid assets such as cash and departmental working capital funds and certain prepaid expenditures and sundry suspense accounts.

79. Although some of the items are very difficult to forecast, it is expected that the active assets will aggregate $5,890 million at March 31, 1951. The totals of the principal active asset categories at that date are estimated at: cash and other current assets, $1,893·7 million; loans to, and investments in, Crown agencies, $1,256 million; other loans and investments, (including loans to provincial, municipal, United Kingdom and other governments, subscriptions to international organizations, and a number of miscellaneous advances to veterans and others), $2,676·7 million; deferred charges (discounts and commissions on loan flotations in the process of being amortized over the life of the loans), $60 million; province debt accounts, $2·3 million; and sundry suspense accounts, $1·3 million.

80. The reserve for possible losses on the ultimate realization of active assets which now stands on the books at $395·9 million is shown on the balance sheet as a deduction from the total of the active assets, bringing the net active asset total to $5,494·1 million.

A. Analysis of Changes in Principal Liability Classifications During 1950-51

81. It is estimated that there will be an increase of $184·5 million in the total liabilities during the fiscal year. The two most important increases are $175·5 million in the insurance, pension and guarantee accounts (attributable principally to increases of $66·3 million in the Government Annuities Account, and $85·3 million in the Civil Service Superannuation Account) and $183·9 million in sundry suspense account (due mainly to the undisbursed balance of $175·4 million in the accounts established pursuant to section 3 of the Defence Appropriation Act, 1950, to record the value of defence materials and supplies transferred to members of the North Atlantic Treaty Organization).

82. The most significant reduction in the liabilities was the substantial decrease in the outstanding unmatured funded debt of the Government from $15,188·1 million at March 31, 1950 to an estimated amount of $15,027·3 million at March 31, 1951. This net reduction of $160·8 million compares with similar reductions of $396·9 million in 1949-50, $372·3 million in 1948-49, and $584·5 million in 1947-48.

Floating Debt

83. Floating debt shows an estimated decrease of $7·4 million in 1950-51. Decreases of $16·1 million in the Government's liability for matured funded debt payable in Canada and of $2·3 million in interest due and outstanding payable in Canada are offset partially by increases of $6·2 million in outstanding matured funded debt payable in New York and of $4·7 million in the Government's estimated liability for outstanding cheques.

Deposit and Trust Accounts

84. It is estimated that there will be a decrease of $14·7 million in deposit and trust accounts. A decrease of $17·5 million due to the elimination of the contra account for the Canadian Sugar Stabilization Corporation's price stabilization contingency reserve is offset in part by increases of $2 million in contractors securities cash deposits and of $2 million in the National Capital Fund.

Insurance, Pension and Guaranty Accounts

85. Insurance, pension and guaranty accounts show an estimated increase of $175·5 million during the fiscal year. Of this total $66·3 million is due to an increase in the Government Annuities Account; $85·3 million to an increase in the Civil Service Superannuation Account (of which $75 million is attributable to the Government's special contribution of a portion of the amount by which the estimated liabilities exceed the balance in the account); $18·3 million to an increase in the Permanent Services Pension Account; and the remainder to lesser increases in various miscellaneous insurance, guaranty, pension and retirement accounts.

Deferred Credits

86. Deferred credits are expected to show a small increase of $0·8 million during the fiscal year, one of the more important factors contributing to this net increase being additional receipts in connection with military relief and currency settlements.

Sundry Suspense Accounts

87. Sundry suspense accounts are expected to record an increase of $183·9 million during the fiscal year. Of this total $175·4 million represents the undisbursed balance of the credits under section 3 of The Defence Appropriation

Act, 1950, representing the value of defence materials and supplies transferred to members of the North Atlantic Treaty Organization. Under the terms of The Defence Appropriation Act, 1950, this amount may be used to purchase equipment or supplies for the naval, army or air services of the Canadian Forces. Also recorded under this heading is the Government's liability for collections of provincial 5 per cent corporation income taxes under The Dominion-Provincial Tax Rental Agreements Act. As collections during 1950–51 were higher than during the preceding year, and assessments and payments to the provinces were somewhat less, the estimated amount of \$63·7 million at March 31, 1951 was approximately \$13 million more than the corresponding amount at March 31, 1950.

Province Debt Accounts

88. There was no increase or decrease during the fiscal year in the Government's liability in respect of the province debt accounts. These amounts have remained unchanged for many years.

Reserve for Certain Contingent Liabilities

89. The reserve for certain contingent liabilities is expected to show an increase of \$7·2 million during the fiscal year reflecting an additional provision for conditional benefits which may accrue to veteran borrowers under the Veterans' Land Act.

Funded Debt

90. It is estimated that there will be a net decrease in unmatured funded debt from \$15,188·1 million at March 31, 1950 to \$15,027·3 million at March 31, 1951. The over-all reduction of \$160·8 million reflects decreases of \$81 million in debt payable in Canada, \$74·1 million in debt payable in New York, and \$5·7 million in debt payable in London. The various loan redemptions, flotations and adjustments which resulted in the net decrease are described in greater detail in the section on "The Public Debt".

B. Analysis of Changes in Principal Active Asset Classifications During 1950–51

91. It is estimated that there will be an increase of \$463·0 million in the total of the active assets during the fiscal year under review. However, with the provision of an additional \$75 million for the reserve for possible losses on the ultimate realization of active assets, *net* active assets are expected to show an increase of \$388 million when the books are closed. Estimated increases of \$415·1 million in cash and other current assets, and \$101 million in loans to, and investments in, Crown agencies are offset by decreases of approximately \$34·3 million in other loans and investments, \$16·3 million in sundry suspense accounts, and \$2·5 million in deferred charges.

92. The two most significant increases of \$475 million in the advances to the Foreign Exchange Control Board, and \$78·5 million in the net advances to the Central Mortgage and Housing Corporation, were offset in part by the reduction of \$43·8 million in loans to the United Kingdom and other governments, and the decrease of \$46·8 million in cash in current and special deposits.

Cash and Other Current Assets

93. Cash and other current assets increased by approximately \$415·1 million during the fiscal year as shown in the following table which summarizes the changes in the various accounts in this category:

CASH AND OTHER CURRENT ASSETS AS AT MARCH 31, 1951 AND MARCH 31, 1950

(In millions of dollars)

—	Balance at March 31		Increase or Decrease (—)
	1951	1950	
	$ (Estimated)	$	$
Cash in current and special deposits including blocked currency	96·6	143·4	−46·8
Other liquid assets			
Foreign Exchange Control Board—Advances represented by cash and securities	1,725·0	1,250·0	475·0
Securities Investment Account	23·9	18·7	5·2
Sinking Funds	8·4	8·0	0·4
Working Capital Advances			
Departmental	22·0	41·7	−19·7
Crown corporations	17·8	16·8	1·0
	1,893·7	1,478·6	415·1

94. The two principal changes were an increase of $475 million in the advances to the Foreign Exchange Control Board and a decrease of $46·8 million in cash in current and special deposits. The increase of $475 million in advances to the Foreign Exchange Control Board represents additional cash advances during the year to finance the purchase of gold and foreign exchange. Other significant changes were a decrease of $19·7 million in departmental working capital advances (attributable largely to a decrease in advances to the Agricultural Prices Support Account), and an increase of $5·2 million in the bond holdings in the Securities Investment Account.

Loans to, and Investments' n, Crown Agencies.

95. Loans to, and investments in, Crown agencies increased by $101 million during 1950–51 from $1,155 million at March 31, 1950, to an estimated amount of $1,256 million at March 31, 1951. The changes during the fiscal year in this category of assets are summarized in the following table:

LOANS TO, AND INVESTMENTS IN, CROWN AGENCIES AS AT MARCH 31, 1951 AND MARCH 31, 1950

(In millions of dollars)

—	Balance at March 31		Increase or Decrease (—)
	1951	1950	
	$ (Estimated)	$	$
Bank of Canada Capital Stock	5·9	5·9	....
Central Mortgage and Housing Corporation—			
Capital Advances	25·0	25·0	....
Loans	260·5	182·0	78·5
Canadian Farm Loan Board	26·1	24·1	2·0
Railway and Steamship Companies	764·0	743·8	20·2
National Harbours Board	106·6	105·7	0·9
Polymer Corporation Limited	41·0	42·9	−1·9
Other Crown Agencies	26·9	25·6	1·3
	1,256·0	1,155·0	101·0

96. Loans to railways and steamship companies represent in the main advances by the Government to the Canadian National Railways for capital expenditures (including the purchase of railway equipment), for retirement of maturing debt, and for the temporary financing of current operations. The increase of $20·2 million reflects net advances during the year of $19·9 million to the Canadian National Railways; the remaining $0·3 million represents an advance for working capital to the Canadian National (West Indies) Steamships Limited.

97. The amount of $106·6 million shown for the National Harbours Board represents the net outstanding advances in connection with harbour developments at Montreal and Vancouver. These are the only advances to the National Harbours Board which are classified as active assets in the Government's accounts.

98. The Government's investment in Polymer Corporation Limited, a Crown corporation engaged in the manufacture of synthetic rubber, was reduced by $1·9 million during the fiscal year, the balance at March 31, 1951, being estimated at $41 million.

99. The amount of $26·9 million shown for other Crown agencies, represents subscriptions to the capital stock of, or advances to, sundry government agencies for capital, construction and other purposes. The total includes loans to, or investments in, Canadian Broadcasting Corporation ($8·4 million); Canadian Overseas Telecommunications Corporation ($0·6 million); Eldorado Mining and Refining (1944) Limited ($8·2 million); Export Credits Insurance Corporation ($5 million); and Northwest Territories Power Commission ($4·7 million).

Other Loans and Investments.

100. This group of assets includes loans to the United Kingdom and various foreign governments, the Government's subscriptions to the capital of the International Monetary Fund and the International Bank for Reconstruction and Development, loans to provincial and municipal governments, and a number of miscellaneous loans and investments, the chief of which are the loans to veterans under the Soldier Settlement and Veterans' Land Acts. Details of the loans and investments in this category and changes during the fiscal year are shown in the following table:

OTHER LOANS AND INVESTMENTS AS AT MARCH 31, 1951, AND MARCH 31, 1950

(In millions of dollars)

—	Balance at March 31		Increase or Decrease (—)
	1951	1950	
	$ (Estimated)	$	$
Loans to United Kingdom and other Governments	1,984·6	2,028·4	−43·8
Subscription to Capital of International Monetary Fund	322·5	322·5	....
Subscription to Capital of International Bank for Reconstruction and Development	70·7	70·7	....
Loans to Provincial and Municipal Governments	94·1	98·4	−4·3
Advances under Soldier Settlement and Veterans' Land Acts	189·7	174·6	15·1
Miscellaneous Loans and Investments	15·1	16·4	−1·3
	2,676·7	2,711·0	−34·3

101. The loans to the United Kingdom and other governments consist of loans to the Government of the United Kingdom under the authority of The War Appropriation (United Kingdom Financing) Act, 1942, and The United Kingdom Financial Agreement Act, 1946, loans to other countries under Part II of the Export Credits Insurance Act, and miscellaneous foreign loans. A summary of the changes in each of these categories is shown in the following table:

LOANS TO UNITED KINGDOM AND OTHER GOVERNMENTS

(In millions of dollars)

—	Balance at March 31		Increase or Decrease (—)
	1951	1950	
	$ (Estimated)	$	$
Loans to United Kingdom			
The War Appropriation (United Kingdom Financing) Act, 1942	251·5	292·0	—40·5
The United Kingdom Financial Agreement Act, 1946	1,185·0	1,165·0	20·0
	1,436·5	*1,457·0*	*—20·5*
Loans to Foreign Governments			
The Export Credits Insurance Act, Part II	500·6	523·6	—23·0
Miscellaneous Advances	47·5	47·8	—0·3
	548·1	*571·4*	*—23·3*
	1,984·6	2,028·4	—43·8

102. It is estimated that during 1950–51 the Government of the United Kingdom will have repaid $40·5 million of the $700 million interest-free loan granted under the provisions of The War Appropriation (United Kingdom Financing) Act, 1942, reducing the balance outstanding of this loan to $251·5 million at March 31, 1951. During the year, however, additional advances of $20 million were made to the United Kingdom Government as part of the $1,250 million loan authorized by The United Kingdom Financial Agreement Act of 1946. On February 20, 1951, the United Kingdom Government announced that no further drawings would be made under the agreement. The total amount advanced now stands at $1,185 million.

103. The advances under Part II of The Export Credits Insurance Act represent loans made to certain foreign countries to assist them in purchasing goods and services in Canada. It is estimated that the total of outstanding advances under this Act will be $500·6 million at March 31, 1951, representing a net decrease of $23 million from the total of $523·6 million outstanding at the end of the previous year. A classification of these advances by recipient governments, showing the repayments during the year, is given in the following table:

ADVANCES TO FOREIGN GOVERNMENTS UNDER PART II OF THE EXPORT CREDITS INSURANCE ACT

(In millions of dollars)

—	Total Outstanding at March 31, 1950	Repayments during 1950-51	Total Outstanding at March 31, 1951
Belgium	62·3	2·3	60·0
China	50·2	0·8	49·4
Czechoslovakia	16·7	3·4	13·3
France	234·3	8·4	225·9
Indonesia	15·4	....	15·4
Netherlands	118·1	2·6	115·5
Norway	23·6	2·6	21·0
Union of Soviet Socialist Republics	2·9	2·9	Nil
	523·6	23·0	500·6

Deferred Charges.

104. It is estimated that unamortized discounts, premiums, redemption bonuses, and commissions on loans will be reduced by approximately $2·5 million during 1950–51. Discounts and commissions of $10 million on new loans are more than offset by the annual amortization of $12·5 million applicable to 1950-51 and charged to the year's expenditures.

Sundry Suspense Accounts.

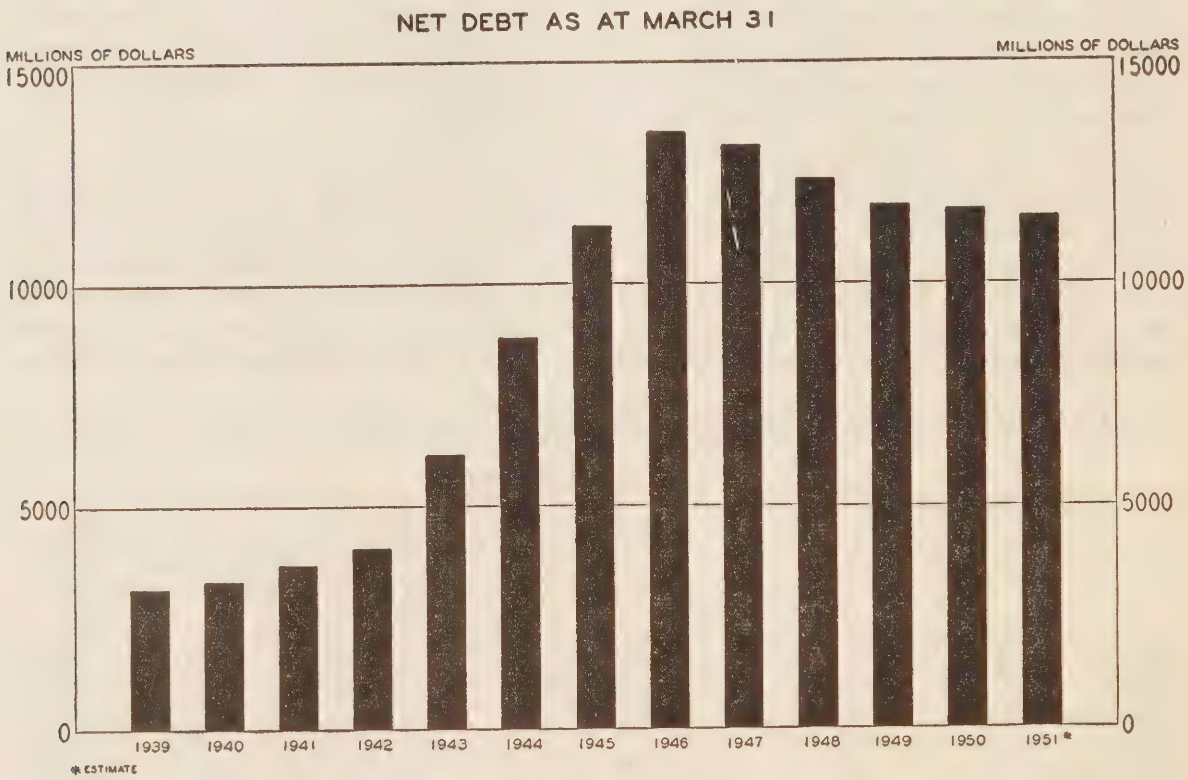
105. The decrease of $16·3 million in this asset classification is due mainly to the elimination of the price stabilization contingency reserve of Canadian Sugar Stabilization Corporation Limited which was transferred to revenue during the fiscal year.

Reserve for Possible Losses on Ultimate Realization of Active Assets.

106. For the fourth successive year $75 million was added to this reserve with a corresponding amount being shown as an expenditure in the Government's accounts. There was no charge or write-off to the reserve during the fiscal year, the balance at March 31, 1951, being $395·9 million.

C. Decrease in Net Debt

107. The estimated surplus of $203·5 million for the fiscal year will result in a corresponding decrease in the net debt of Canada, reducing it from $11,644·6 million at March 31, 1950, to $11,441·1 million at March 31, 1951.



6. THE PUBLIC DEBT

Gross and Net Debt

108. The unmatured funded debt of Canada was reduced by $160·8 million during the fiscal year, of which $116·4 million represented cash retirements and $44·4 million revaluations and adjustments. However, due to increases of $345·3 million in other liabilities—principally in insurance, pension and guaranty and sundry suspense accounts—the gross public debt of Canada increased by $184·5 million from $16,750·7 million at March 31, 1950 to an estimated total of $16,935·2 million at March 31, 1951. During the same period, the net active assets increased by $388 million, with the result that the net debt—which is the gross debt less the active or revenue producing assets—was reduced by $203·5 million.

109. The following table shows the amount of net debt as at March 31, 1939 to March 31, 1951 inclusive, with the amount of annual increase or decrease.

NET DEBT

(In millions of dollars)

Fiscal Year Ended March 31	Balance at end of year	Increase or Decrease (—) during fiscal year
1939	3,152·6	....
1940	3,271·3	118·7
1941	3,648·7	377·4
1942	4,045·2	396·5
1943	6,182·8	2,137·6
1944	8,740·1	2,557·2
1945	11,298·4	2,558·3
1946	13,421·4	2,123·0
1947	13,047·8	—373·6
1948	12,371·6	—676·1
1949	11,776·1	—595·5
1950	11,644·6	—131·5
1951	11,441·1	—203·5

Unmatured Funded Debt

110. The estimated total unmatured funded debt of Canada outstanding at March 31, 1951 was $15,027·3 million. This was $160·8 million less than at the end of the previous year and $1,779·9 million less than that at March 31, 1946.

Summary of Security Issues and Redemptions During the Year

111. Funded debt payable in Canada was reduced by $81 million from $14,688·5 million at March 31, 1950 to $14,607·4 million at March 31, 1951. Government obligations payable in Canadian dollars matured or were called for redemption during the fiscal year in the amount of $3,770·8 million. The financing of these retirements was effected as follows:

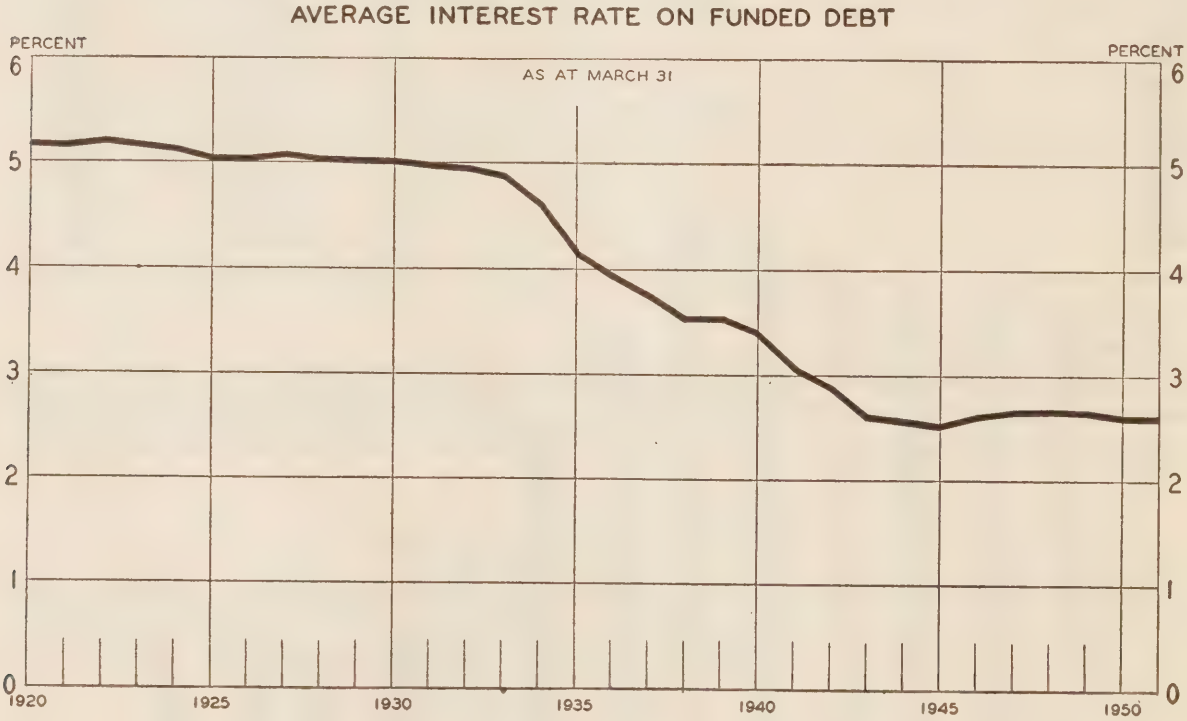
	(In millions of dollars)
By refunding or conversion into new issues	$ 3,245·0
By proceeds of new borrowings:	
Sale of Canada Savings Bonds Series V (net)	267·2
Sale of Deposit Certificates (part)	200·0
From available cash	58·6
	$ 3,770·8

112. The retirement of \$58·6 million out of available cash and the transfer of \$25 million to revenue of the excess provision for the reserve for the refundable portion of excess profits tax, less \$2·6 million of accrued interest which was added to the principal of War Savings Certificates during the fiscal year, accounts for the net reduction of \$81 million in funded debt payable in Canadian dollars.

113. Funded debt payable in United States funds decreased by \$74·1 million in the fiscal year. Of this amount, \$55 million (\$50 million U.S.) resulted from the redemption on October 1, 1950, of \$100 million (U.S.) 4 per cent bonds which were refunded in part by an issue of \$50 million (U.S.) twenty-five year 2¾ per cent bonds dated September 15, 1950. This issue was sold in New York at a cost of 2¾ per cent to the Government. In addition, the Canadian dollar value of funded debt payable in United States dollars was reduced by \$19·1 million due to the change in the exchange rate resulting from the freeing of the Canadian dollar in September, 1950.

114. Funded debt payable in pounds sterling decreased during the fiscal year by \$5·7 million. This was due to the redemption of \$2·9 million registered stock on May 1, 1950 and \$2·8 million arising out of the reduction in the Government's liability expressed in Canadian dollars for outstanding sterling issues consequent upon the change in the exchange rate following the freeing of the Canadian dollar in September 1950.

AVERAGE INTEREST RATE ON FUNDED DEBT



115. From the above analysis it will be seen that the over-all reduction of \$160·8 million in the Government's outstanding debt arose from cash payments of \$116·4 million and of revaluations and adjustments totalling \$44·4 million.

116. The average coupon rate on the Government's outstanding funded debt at the close of the current fiscal year is estimated at 2·60 per cent unchanged from the previous fiscal year end.

117. More complete details of redemptions and new issues of securities during the fiscal year are set out in the following tables.

REDEMPTION OF FUNDED DEBT DURING FISCAL YEAR ENDED MARCH 31, 1951

Maturity or Call Date	Interest Rate	Where Payable	Amount
	%		$
May 1, 1950	¾	Canada	200,000,000
May 1,	3¼	London	2,930,122
June 1	3	Canada	40,000,000
June 1	3	Canada	55,000,000
June 15	3	Canada	649,969,592
July 1	4	Canada	33,293,471
August 30	¾	Canada	100,000,000
September 1	¾	Canada	550,000,000
October 1	4	New York	100,000,000
November 1	¾	Canada	200,000,000
November 1	1¾	Canada	335,690,000
November 1	1¾	Canada	400,000,000
February 1, 1951	3¼	Canada	50,163,125
February 28	⅞	Canada	300,000,000
March 1	¾	Canada	550,000,000
War Saving Certificates	3	Canada	(1) 40,923,367
Canada Savings Bonds, Series I, II, III, and IV	2¾	Canada	197,843,350
Non Interest Bearing Certificates		Canada	147,376
Total Bonds and Certificates			3,805,960,403
Repayment of Refundable Portion of Excess Profits Tax			(2) 67,809,083
Total Redemption of Debt			3,873,769,486

(1) This is the amount of War Savings Certificates redeemed during the fiscal year. Accrued interest of \$2.6 million was added to principal.

(2) Not including \$25 million excess provision transferred to revenue.

NEW SECURITY ISSUES DURING FISCAL YEAR ENDED MARCH 31, 1951

—	Issue Date	Maturity Date	Interest Rate	Price to Government	Yield at Price to Government	Total Amount Issued	Renewals or Reconversion Included in Amount Issued	Amount Issued for Cash
			%		%	$	$	$
PAYABLE IN CANADA								
Issued to Chartered Banks—								
Deposit Certificates	Aug. 30, 1950	Feb. 28, 1951	7/8	100·00	0·875	300,000,000	100,000,000	200,000,000
Deposit Certificates	Feb. 28, 1951	Aug. 29, 1951	1	100·00	1·00	200,000,000	200,000,000	....
						500,000,000	300,000,000	200,000,000
Issued to Bank of Canada—								
Six Months Treasury Notes	May 1, 1950	Nov. 1, 1950	3/4	100·00	0·75	200,000,000	200,000,000	....
Six Months Treasury Notes	Sept. 1, 1950	Mar. 1, 1951	3/4	100·00	0·75	550,000,000	550,000,000	....
Six Months Treasury Notes	Nov. 1, 1950	May 1, 1951	7/8	100·00	0·875	200,000,000	200,000,000	....
Six Months Treasury Notes	Mar. 1, 1951	Sept. 1, 1951	1	100·00	1·00	550,000,000	550,000,000	....
						1,500,000,000	1,500,000,000	....
Issued to General Public—								
Refunding Loan, 1950 (1)	June 15, 1950	Dec. 15, 1954	2	99·65	2·07	395,000,000	} 744,969,592	30,407
Refunding Loan, 1950 (1)	June 15, 1950	June 15, 1968	2 3/4	99·00	2·82	350,000,000	}	
Two Year Bonds (1)	Nov. 1, 1950	Nov. 1, 1952	1 3/4	99·55	1·99	300,000,000	300,000,000	....
Five Year Eight Months Bonds (1)	Nov. 1, 1950	July 1, 1956	2 1/4	99·125	2·39	400,000,000	400,000,000	....
Canada Savings Bonds Series V, Net	Nov. 1, 1950	Nov. 1, 1960	2 3/4	99·375	2·82	267,215,000	....	267,215,000
						1,712,215,000	1,444,969,592	267,245,407
PAYABLE IN UNITED STATES								
Issued to General Public	Sept. 15, 1950	Sept. 15, 1975	2 3/4	100·00	2·75	(2) 55,000,000	(2) 55,000,000	....
GRAND TOTAL	....	....	....	....	....	3,767,215,000	3,299,969,592	467,245,407

(1) A portion of these issues was purchased by the Bank of Canada and the chartered banks.
(2) $50,000,000 par value in United States funds.

Indirect or Contingent Liabilities

118. It should be noted that the Government has assumed certain indirect or contingent liabilities which are in addition to the direct debt set out in the balance sheet. Included under this heading, for example, are the Government's guarantees of certain securities issued by various Government owned enterprises such as the Canadian National Railways, the Canadian National (West Indies) Steamships Limited, and the Saint John Harbour Commission; the guarantee of deposits maintained by the chartered banks in the Bank of Canada; guarantees of certain loans made by chartered banks to veterans or farmers for certain authorized purposes; guarantees under the Export Credits Insurance Act; and certain commitments under housing legislation.

119. The following table gives details of the bonds and debenture stocks guaranteed by the Government, and also indicates the nature and approximate extent of the Government's other guarantees and contingent liabilities.

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE GOVERNMENT AS AT MARCH 31, 1951

Date of Maturity	Issue	Interest Rate	Estimated Amount Outstanding
		%	$
Sept. 1, 1951	Canadian National	4½	48,022,000
Aug. 1, 1952	Saint John Harbour Commissioners	5	667,953
July 10, 1953	Canadian Northern	3	1,162,768
Feb. 1, 1954	Canadian National	5	50,000,000
May 1, 1954	City of Saint John Debentures assumed by Saint John Harbour Commissioners	5¼	3,329
Mar. 1, 1955	Canadian National (West Indies) Steamships Limited	5	9,400,000
June 15, 1955	Canadian National	4¾	48,496,000
Feb. 1, 1956	Canadian National	4½	67,368,000
July 1, 1957	Canadian National	4½	64,136,000
July 20, 1958	Canadian Northern	3½	5,636,507
Jan. 15, 1959	Canadian National	3	35,000,000
May 4, 1960	Canadian Northern Alberta	3½	550,727
May 19, 1961	Canadian Northern Ontario	3½	3,597,518
Jan. 1, 1962	Grand Trunk Pacific	3	26,465,130
Jan. 1, 1962	Grand Trunk Pacific	4	7,999,074
Jan. 3, 1966	Canadian National	3	35,000,000
Jan. 2, 1967	Canadian National	2¾	50,000,000
Sept. 15, 1969	Canadian National	2⅞	70,000,000
Jan. 16, 1971	Canadian National	2⅞	40,000,000
June 15, 1975	Canadian National	2¾	6,000,000
Perpetual	Grand Trunk Debenture Stock	5	1,016,092
Perpetual	Great Western Debenture Stock	5	499,709
Perpetual	Grand Trunk Debenture Stock	4	5,446,491
Perpetual	Northern Railway of Canada Debenture Stock	4	22,591
			576,489,889

OTHER OUTSTANDING GUARANTEES AND CONTINGENT LIABILITIES

	Estimated Amount Outstanding
Deposits maintained by the chartered banks in the Bank of Canada (March 31, 1951)..............$	552,915,324
Bank advances, re Province of Manitoba Savings Office (March 31, 1951).............................	3,440,078
Province of Manitoba Treasury Bill (March 31, 1951).	1,750,000
Loans made by chartered banks under the Farm Improvement Loans Act, 1944 (Dec. 31, 1950)...	16,985,809
Loans made by chartered banks under the Veterans' Business and Professional Loans Act (Dec. 31, 1950)	1,866,456
Guaranteed Bank Loans—Acadia Coal Company (March 27, 1951).............................	292,000
Guarantees under Part II of The Export Credits Insurance Act (March 31, 1951).....................	12,750,000
Loans made by approved lending institutions under Dominion and National Housing Acts...........	Indeterminate
Guarantees of land assembly projects under National Housing Act (Dec. 31, 1950)..................	520,534

120. It will be noted that the total of guaranteed bonds and debentures outstanding at March 31, 1951, is estimated at \$576·5 million, an increase of approximately \$6 million over the amount outstanding at March 31, 1950. This increase resulted from an issue of \$6 million Canadian National Railway Company 2¾ per cent twenty-five year bonds dated June 15, 1950, guaranteed by the Government of Canada.

7. SUPPLEMENTARY DETAILED TABLES

REVENUES

EXPENDITURES

LOANS AND ADVANCES AND INVESTMENTS

SOURCES AND DISPOSITION OF CASH FUNDS

UNMATURED FUNDED DEBT

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS

(thousands of dollars)

—	1946-47	1947-48	1948-49	1949-50	Estimated 1950-51
	$	$	$	$	$
TAX REVENUE—					
Direct Taxes—					
Direct Taxes on Incomes—					
Individual Income Tax	694,530	659,828	762 564	621,982	652,000
Tax on Interest and Dividends	28,428	33,929	40,965	47,475	62,000
Taxes on Rents and Royalties	1,708	1,960	2,480		
Corporation Income Tax	238,792	364 131	491 990	603 193	800,000
Excess Profits Tax	448,698	227,030	44,792	−1,788	10,000
Total Direct Taxes on Incomes	1,412,156	1,286,878	1,342,791	1,270,862	1,524,000
Succession Duties	23,576	30,828	25,550	29,920	34,000
Total Direct Taxes	1,435 732	1,317,706	1,368,341	1,300 782	1,558,000
Indirect Taxes—					
Customs Import Duties	237,355	293,012	222,975	225,878	298,000
Excise Duties—					
Spirits, malt, etc	97,820	97,675	101,105	107,035	132,000
Cigars, cigarettes and tobacco	101,163	102,116	106,241	115,982	116,000
Licences	40	37	39	38	40
Less refunds	−2,979	−3,034	−2,733	−2,490	−3,040
Total Excise Duties	196,044	196,794	204,652	220,565	245,000
Excise Taxes—					
Taxes on Commodities—					
Sales Tax	328,073	383,012	390,174	415,222	471,100
War Exchange Tax	338	....	....	....	....
Automobiles, rubber tires and tubes	16,340	31,949	36,943	38,193	63,000
Beverages	18,635	23,767	27,689	1,627	7,400
Candy and chewing gum	13,277	18,279	19,888	1,030	10,400
Cigars, cigarettes and tobacco	76,318	68,606	77,665	83,497	83,200
Cigarette papers and tubes	6,943	6,419	6,999	7,223	7,850
Electric and gas appliances	7	2,824	3,894	....	2,300
Furs	3,102	3,139	3,693	2,937	4,300
Gasoline	36,220	2,208	....	....	....
Matches and lighters	4,088	3,967	3,412	1,091	1,100
Phonographs, radios and tubes	2,526	5,325	3,562	3,101	5,200
Special excise on importations	1,185	2,113	279	....	....
Sugar	11,339	10,572	....	....	....
Toilet preparations and soaps	7,522	7,146	7,757	4,316	4,300
Trunks, bags, luggage, etc	5,710	4,962	5,565	2,257	2,500
Wines	2,394	2,342	2,060	2,126	2,200
Jewellery, ornaments, etc	....	....	....	4,077	6,600
Sundry	5,109	4,716	4,700	2,310	4,400
Taxes on Amusements and Services—					
Amusements	14,552	15,369	2,483	....	....
Tax on pari-mutuel bets	2,510	2,519	105	....	....
Transportation and communication	27,931	27,531	29,034	3,967	....
Stamps, including payment of taxes on jewellery, chinaware, cabaret attendance, etc	24,437	24,300	22,725	9,898	10,800
Licences, interest and miscellaneous	313	376	382	370	350
Less refunds (mainly sales tax)	−29,845	−10,683	−12,871	−11,785	−12,000
Total Excise Taxes	579,024	640,758	636,138	571,457	675,000
Other Taxes—					
Chartered bank note circulation	220	188	166	121	....
Insurance Companies	8,796	3,004	3,339	3,789	4,150
Miscellaneous	690	613	531	525	750
Total Indirect Taxes	1,022,129	1,134,369	1,067,801	1,022,335	1,222,900
Total Revenue from Taxes	2,457,861	2,452,075	2,436,142	2,323,117	2,780,900

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(thousands of dollars)

—	1946-47	1947-48	1948-49	1949-50	Estimated 1950-51
	$	$	$	$	$
NON-TAX REVENUE—					
Post Office	72,978	77,759	80,604	84,512	90,000
Return on Investments	69,439	75,800	107,889	91,529	89,100
Bullion and coinage	2,098	1,731	3,253	4,523	4,800
Premium, discount and exchange	....	3,736	....	....	18,000
Other	16,355	18,745	21,202	25,035	29,900
Total Non-Tax Revenue	160,870	177,771	212,948	205,599	231,800
Total Ordinary Revenue	2,618,731	2,629 846	2,649,090	2,528,716	3,012,700
SPECIAL RECEIPTS AND CREDITS—					
Refunds of previous years' Special Expenditure	10	7	16	156	300
Special Receipts—War and Demobilization	228,465	162,376	91,281	34,765	45,200
Sale of surplus Crown Assets	184,298	63,381	25,840	16,351	20,400
Refundable portion of excess profits tax—Transfer to Revenue of excess reserve set up in previous years	....	....	....	....	25,000
Donations to the Crown	170	138	69	54	2
Canadian Wheat Board— Surplus in certain special accounts	1,762	16	121	....	....
Investment in Crown plants transferred to Active Assets	2,053	3,704	2,528	....	....
	416,758	229,622	119,855	51,326	90,902
Capital and Non-active Accounts—					
Capital Accounts—					
Refunds of previous years' expenditure	110	61	82	67	120
Transfer to Consolidated Deficit Account (contra)	....	158	2,243	....	....
Non-active Accounts—					
National Harbours Board, reduction of indebtedness	10	82	....	12	119
Canadian Pacific Railway— Repayment of loan made under Relief Acts	....	....	....	....	1,447
1936 and 1937 Saskatchewan Seed Grain Loans Guarantees— Adjustment pursuant to The Western Provinces Treasury Bills and Natural Resources Settlement Act, 1947	....	9,773	....	....	....
Canadian National (West Indies) Steamships, Limited, reduction of indebtedness	1,105	256	80	....	....
Write-off to Consolidated Deficit Account— Canadian National Railways Securities Trust Stock—reduction due to retirement of equipment during calendar years 1946 and 1947	1,308	1,885	....	....	....
Seed Grain and Relief Loans	54	63	45	20	12
Total Capital and Non-active Accounts	2,587	12,278	2,450	99	1,698
Total Special Receipts and Credits	419,345	241,900	122,305	51,425	92,600
Total Revenue	3,038,076	2,871,746	2,771,395	2,580,141	3,105,300
Less estimated amount of refundable Income and Excess Profits Taxes	30,200	....	....	....	....
Net Total Revenue	3,007,876	2,871,746	2,771,395	2,580,141	3,105,300

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS

(thousands of dollars)

—	1946-47	1947-48	1948-49	1949-50	Estimated 1950-51
	$	$	$	$	$
ORDINARY EXPENDITURE					
Agriculture	13,300	16,311	20,376	25,296	49,604
Auditor General's Office	390	395	533	562	594
Citizenship and Immigration	....	....	....	17,702	21,396
Civil Service Commission	593	665	771	1,513	1,587
External Affairs	5,128	7,195	8,676	9,721	22,289
Finance—					
Interest on Public Debt	464,395	455,455	465,138	439,816	425,240
Cost of Issuing New Loans and Annual Amortization of Bond Discounts and Commissions	12,139	10,914	9,745	10,546	13,368
Servicing of Public Debt	678	356	331	478	426
Subsidies to Provinces	14,383	33,394	17,095	19,170	18,735
Transitional Grant to Newfoundland	....	....	....	6,500	6,500
Miscellaneous Grants and Contributions	95	113	147	597	1,332
Civil Pensions and Superannuation	253	224	190	169	147
Government's contribution to Superannuation Account	3,161	3,488	4,050	5,461	6,858
Special Government contribution to Superannuation Account	....	....	....	....	75,000
Premium, Discount and Exchange	9,172	....	111	19,740	....
Compensation to Provinces—					
Tax-rental Agreements	94,380	122,497	84,387	76,881	94,123
Sec. 7—Tax-rental Agreements Act	....	....	....	1,375	4,566
Special payments in respect to matters supplementary to Terms of Union of Newfoundland with Canada	....	....	....	43	....
Office of the Comptroller of the Treasury	7,521	8,933	11,103	11,140	11,353
Administrative and Sundry Expenditure	1,671	2,059	3,193	4,547	6,299
Fisheries	3,599	4,097	5,158	6,764	8,006
Governor General and Lieutenant-Governors	252	239	242	274	250
Insurance	212	237	263	311	382
Justice	3,194	3,917	4,025	4,226	4,704
Penitentiaries	3,806	4,564	5,863	6,691	8,200
Labour	2,010	2,319	4,712	6,244	8,727
Unemployment Insurance Act, 1940—					
Administration	7,496	17,641	18,965	20,386	22,418
Government's Contribution	15,200	17,500	20,103	21,098	27,930
Unemployment assistance to residents of Newfoundland pursuant to Terms of Union	....	....	....	3,589	3,200
Government Annuities—					
Payment to maintain reserve	977	332	11,408	1,256	1,500
Legislation—					
House of Commons	2,786	3,022	2,628	3,764	3,289
Library of Parliament	90	103	127	127	138
Senate	881	946	736	1,178	976
General	167	270	272	160	265
Chief Electoral Officer, including elections	144	151	287	4,456	274
Mines and Resources—					
Administration	173	268	366	....	....
Immigration	2,047	2,665	5,564	....	....
Indian Affairs	5,948	7,180	10,378	....	....
Lands, Parks and Forests	4,962	....	....	....	....
Lands and Development Services	....	5,630	11,863	....	....
Surveys and Engineering	3,444	....	....	....	....
Special Projects	....	2,554	126	....	....
Mines and Geological Survey	1,847	....	....	....	....
Mines, Forests and Scientific Services	....	5,318	17,970	....	....
Mines and Technical Surveys	....	....	....	22,200	18,046
National Defence—					
Defence Forces—Army, Navy, and Air Services	(1) —	(1) —	(1) —	(1) —	536,336
Defence Research and Development	(1) —	(1) —	(1) —	(1) —	23,915

(1) Included under Demobilization and Reconversion.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—*Continued*

(thousands of dollars)

—	1946-47	1947-48	1948-49	1949-50	Estimated 1950-51
	$	$	$	$	$
ORDINARY EXPENDITURE—*Con.*					
National Defence—*Con.*					
Administration and sundry services	253	615	1,127	383	343
Pensions—Militia Pensions Act	(2) —	(2) —	4,863	5,011	5,000
Government's contribution to Permnent Forces Pension Fund	.....	(1) —	7,867	9,046	11,975
Defence Appropriation Act, Sec. 3	.....	.....	.....	.....	195,417
National Health and Welfare	8,616	10,815	14,381	16,901	17,950
Old age pensions, including pensions to blind persons	35,928	58,090	66,764	93,189	103,250
Family allowances	245,141	263,165	270,910	297,514	309,490
General health grants	.....	.....	7,528	15,716	19,300
National Revenue (including Income Tax)	28,551	37,312	49,323	50,604	49,588
Post Office	64,213	67,944	77,643	82,640	92,125
Prime Minister's Office	88	99	106	120	124
Privy Council	808	1,287	4,351	4,008	4,054
Public Archives	149	157	173	198	208
Public Printing and Stationery	293	536	753	866	726
Public Works	26,360	35,545	50,644	67,058	72,500
Reconstruction and Supply	1,932	12,342	3,403	.....	.....
Resources and Development	.....	.....	.....	25,014	34,433
Dominion Fuel Board administration coal subsidies and subventions	1,776	1,143	(3) —	(3) —	.....
Royal Canadian Mounted Police	8,604	10,406	13,717	15,971	19,766
Secretary of State	1,157	1,345	1,559	1,600	2,189
Trade and Commerce	9,776	10,846	24,778	30,363	37,988
Dominion Coal Board administration coal subsidies and subventions	.....	.....	2,164	4,357	3,421
Mail Subsidies and Steamship Subventions	1,103	(4) —	(4) —	(4) —	.....
Transport—					
Administration and general	1,499	1,973	3,492	3,790	2,495
Air Service	5,653	10,390	15,932	21,669	25,723
Marine Service	5,963	6,831	8,176	9,878	11,588
Railways and Canals	3,702	4,073	5,124	6,624	9,191
Maritime Freight Rates Act	4,871	5,090	6,606	6,982	8,585
Mail Subsidies and Steamship Subventions, including Canadian Maritime Commission	.....	1,764	2,166	2,277	5,975
Veterans Affairs—					
Departmental Administration	1,680	1,677	2,225	2,248	2,119
Pensions (World War 1 and military)	40,771	41,227	.....	.....	.....
Pensions (World Wars 1 and 2 and general)	(5) —	(5) —	102,951	96,091	96,339
Treatment and after-care of returned soldiers and allowances to dependents	44,303	46,286	69,937	69,778	73,139
Hospital accommodation and facilities	(5) —	(5) —	(5) —	(5) —	2,724
Soldier Settlement and Veterans Land Acts	6,551	8,092	7,885	7,383	6,373
Post discharge rehabilitation benefits	.....	.....	.....	.....	12,926
War service gratuities and re-establishment credits	.....	.....	.....	.....	15,993
Total Ordinary Expenditure	1,236,235	1,380,002	1,573,450	1,701,260	2,680,990
CAPITAL EXPENDITURE					
Railways	2,654	3,809	3,239	3,835	1,257
Public Works	8,546	11,847	15,234	19,088	15,210
Total Capital Expenditure	11,200	15,656	18,473	22,923	16,467

(1) Included under Demobilization and Reconversion.
(2) Included under Veterans Affairs.
(3) See Department of Trade and Commerce.
(4) See Department of Transport.
(5) See War, Demobilization and Reconversion Expenditure.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—*Continued*

(thousands of dollars)

—	1946-47	1947-48	1948-49	1949-50	Estimated 1950-51
	$	$	$	$	$
*WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE					
National Defence—Army, Navy and Air Services	...	*189,360*	*238,915*	*348,050*	
National Defence—Defence Research	*4,090*	*6,024*	*16,033*	*22,389*	
National Defence—					
Army Services	*219,124*	...	...	...	...
Naval Services	*64,873*	...	...	...	...
Air Services	*99,271*	...	...	...	...
Reconstruction and Supply (formerly Munitions and Supply)—					
Administration, reconversion and operation of Crown Companies and/or Crown Plants	10,784	1,558	(6) —	...	...
Administration	4,140	1,305	122	...	...
Housing development	35,323	38,558	1,013	...	
Production and transportation subsidies for Canadian steel producers, etc.	12,663	7,950	(6) —	(6) —	
Research and development of jet engines and aircraft	...	4,500	(6) —	(6) —	
Liquidation of contracts	24,743	1,007	...	...	...
Termination of contracts	55,200	6,400	...	...	...
Other	4,287	1,056	242	...	...
	147,140	*62,334*	*1,377*	...	
Agriculture—					
Disposal of agricultural products rendered surplus by the war	958	7	...	...	
Freight assistance on western feed grains	18,828	20,092	18,154	16,764	
Fertilizer subventions and freight allowance	283	...	...	...	...
Subsidies and bulk purchasing of fertilizer	...	597	...	...	...
Subsidy on western wheat used exclusively as feed for live-stock	6,474	4,421	...	...	
Subsidy on milk and milk products	36,759	1,861	...	...	
Premium on hog carcasses suitable for export to U.K.	4,506	5,474	4,585	4,982	
To provide for reserve stocks of feed grains	1,551	434	...	...	
Sundry	1,757	347	439	465	
	71,116	*33,233*	*23,178*	*22,211*	
External Affairs—					
Contribution to International Refugee Organization	...	5,468	5,412	5,827	
General post UNRRA relief	...	16,927	325	...	
Sundry	837	5	102	1,132	
	837	*22,400*	*5,839*	*6,959*	
Finance—					
Comptroller of the Treasury	6,072	1,702	(7) —	(7) —	
Wartime Prices and Trade Board—Administration	12,738	5,794	3,321	2,567	
Subsidies due to application of Order placing a ceiling over all prices	88,778	34,341	14,911	...	
Advances for payment of drawback claims to millers and other manufacturers of wheat products	26,000	17,000	11,000	400	
Halifax V-E Day disorders and explosion—					
Payment of claims	2,127	...	...	...	...
Expenses of investigations	161	...	...	...	...
Sundry	999	363	1,457	92	
	136,875	*59,200*	*30,689*	*3,059*	

* Included in Ordinary Expenditure in 1950-51.

(6) See Department of Trade and Commerce.

(7) Included in ordinary expenditure.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—*Continued*

(thousands of dollars)

—	1946-47	1947-48	1948-49	1949-50	Estimated 1950-51
	$	$	$	$	$
WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE—*Con.*					
Labour—					
National Selective Service program...	11,230	....	....	....	....
Removal of enemy aliens from protected areas..........	3,161	....	....	....	....
Vocational training for discharged members of Canada's Armed Forces	13,049	6,405	3,472	2,164	
Vocational Schools — Payments to Provinces..........	2,442	3,264	(8) —	(8) —	
Sundry..........	2,772	1,723	1,767	1,406	
	32,654	*11,392*	*5,239*	*3,570*	
Mines and Resources..........	*2,498*	*1,812*	*989*	....	
Mines and Technical Surveys..........	....	....	....	*1,355*	
National Health and Welfare—					
Old Age Pensions increased benefits..	9,517	996	(8) —	(8) —	
Sundry..........	157	107	31	....	
	9,674	*1,103*	*31*	....	
Public Works..........	*3,651*	*1,242*	....	....	
Royal Canadian Mounted Police..........	*1,896*	*1,627*	....	....	
Trade and Commerce—					
Administration..........	....	....	1,000	....	
Administration, reconversion and operation of Crown Companies and/or Crown Plants..........	....	....	2,585	....	
Production and transportation subsidies for Canadian steel producers, etc.	....	....	7,062	4,662	
Research and development of jet engines and aircraft..........	....	....	2,000	1,500	
Sundry..........	682	126	1,157	311	
	682	*126*	*13,804*	*6,473*	
Transport..........	*9,723*	*6,387*	*1,637*	*1,261*	
Veterans Affairs—					
Treatment—Defence Forces..........	50,982	27,130	(8) —	(8) —	
Pensions—Defence Forces..........	33,763	40,517	(8) —	(8) —	
Additions, alterations and improvements to departmental hospitals, including land purchases..........	8,334	6,805	5,095	3,811	
Post-discharge rehabilitation benefits	96,762	78,323	44,826	25,099	
War service gratuities and re-establishment credits..........	318,325	84,175	36,148	22,548	
Sundry..........	273	418	1,181	1,424	
	508,439	*237,368*	*87,250*	*52,882*	
Other Departments..........	*2,255*	*813*	*593*	*398*	
Total War, Demobilization and Reconversion Expenditure..........	1,314,798	634,421	425,574	468,607	
SPECIAL EXPENDITURE					
Agricultural and Other Expenditure.....	4,434	5,253	10,489	14,787	24,436
Prairie Farm Assistance Act, 1939— Administration..........	333	450	402	437	425
Advances to Prairie Farm Emergency Fund..........	6,597	10,744	8,640	13,138	3,178
Deficits—Canadian Wheat Board.......	20,562	31,450	4,454	4,471	2,536
Subsidies on oats and barley, used as feed for live stock—Dept. of Agriculture...	....	13,963	....	....	....
Payment to Canadian Wheat Board for distribution to producers (Dept. of Agriculture)..........	....	....	....	....	65,000
Reimbursement to Canadian Wheat Board for expenses of regulating deliveries of grain—Department of Trade and Commerce..........	....	733	128	96	77

(8) Included in ordinary expenditure.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—*Continued*

(thousands of dollars)

—	1946-47	1947-48	1948-49	1949-50	Estimated 1950-51
	$	$	$	$	$
SPECIAL EXPENDITURE—*Con.*					
Reimbursement to Canadian Commercial Corporation for expenses in purchasing materials, etc., on behalf of Dept. of National Defence—Dept. of Trade and Commerce	....	548	776	975	1,437
Fraser Valley, B.C. Flood Area—					
Grant for emergency relief and rehabilitation	....	....	5,000	....	....
Repairs to Federal Government structures and telegraph and telephone lines	....	....	424	....	....
Fraser Valley Dyking Board—					
Payments by Government of Canada under agreement	....	....	4,500	3,000	....
Protection of works	....	....	....	1,024	....
Red River Valley and the Winnipeg Area generally—					
Payments by Government of Canada under agreements for construction of emergency works	....	....	....	....	2,353
Grant to assist the Province of Manitoba in respect of the Red River floods	....	....	....	....	12,500
Grant to assist the Province of Quebec in respect of the fire at Rimouski	....	....	....	....	1,000
Grant to assist the Province of Quebec in respect of the fire at Cabano	....	....	....	....	218
Reimbursement to Defence Construction, Ltd. for expenses incurred in procuring the construction of defence projects on behalf of Dept. of National Defence	....	....	....	....	500
Total Special Expenditure	31,926	63,141	34,813	37,928	113,660
GOVERNMENT OWNED ENTERPRISES					
Losses charged to Consolidated Deficit Account—					
Prince Edward Island Car Ferry and Terminals	888	932	1,220	1,221	1,267
Canadian National Railways	8,962	15,885	33,533	42,043	3,261
Canadian National (West Indies) Steamships, Ltd	....	....	....	461	1,029
Trans-Canada Airlines	....	1,370	2,933	4,318	1,325
National Harbours Board	114	137	238	83	188
Total charged to Consolidated Deficit Account	9,964	18,324	37,924	48,126	7,070
Loans and advances non-active— National Harbours Board	718	371	1,739	4,236	1,357
Total Government Owned Enterprises	10,682	18,695	39,663	52,362	8,427

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(thousands of dollars)

—	1946-47	1947-48	1948-49	1949-50	Estimated 1950-51
	$	$	$	$	$
OTHER CHARGES					
Write-off of assets chargeable to Consolidated Deficit Account—					
Reduction of soldier and general land settlement loans	232	3	....	(9) —	
Reduction of Veterans' Land Act Loans	129	2,097	1,000	(9) —	
Yearly established losses in seed grain and relief accounts—					
Department of Resources and Development	54	63	45	20	23
Canadian National Railways Securities Trust Stock—reduction due to retirement of equipment	1,308	1,885	....	....	....
Provision for reserve for possible losses on ultimate realization of Active Assets	25,000	75,000	75,000	75,000	75,000
Provision for reserve for conditional benefits under Veterans' Land Act	2,663	4,505	5,631	6,496	7,277
Assumption of part of Newfoundland debt under Terms of Union	....	....	....	62,293	
Transfer from Capital Account to Consolidated Deficit Account	....	158	2,243	....	
Write-down of Active Assets to Non-active Assets—					
Abasand Oils, Ltd.	....	....	....	1,802	
Trading losses in Securities Investment Account	....	....	....	8,299	
Soldier and General Land Settlement Loans	....	....	....	11,500	
Soybean Flour Suspense Account	....	....	....	126	
Total Other Charges	29,386	83,711	83,919	165,536	82,300
Grand Total Expenditures	2,634,227	2,195,626	2,175,892	2,448,616	2,901,844

(9) Included in ordinary expenditure.

ANNUAL CHANGES IN ACTIVE LOANS AND INVESTMENTS FOR THE LAST FIVE FISCAL YEARS

(In thousands of dollars)

—	Fiscal Year Ended March 31				
	1947	1948	1949	1950	Estimated 1951
	$	$	$	$	$
Working Capital Advances to Crown Corporations					
Canadian Arsenals, Ltd	....	2,500	2,500	....	2,500
Canadian Commercial Corporation	2,500	....	1,000	....	
Canadian Patents and Development, Ltd	....	....	....	296	
Canadian Wool Board	Cr. 6,457	....	....	....	....
Commodity Prices Stabilization Corporation	15,638	Cr. 19,341	Cr. 14,911	Cr. 3,000	Cr. 1,500
Crown Assets Disposal Corporation	....	Cr. 345	Cr. 108	Cr. 1,183	....
Export Credits Insurance Corporation—Capital Surplus	....	2,500	....	....	....
	11,681	Cr. 14,686	Cr. 11,519	Cr. 3,887	1,000
Loans to, and Investments in, Crown Agencies					
Central Mortgage and Housing Corporation—Loans	....	22,500	68,000	91,460	78,500
Canadian Broadcasting Corporation	2,000	....	1,250	4,500	600
Canadian Farm Loan Board	Cr. 600	99	1,050	1,950	2,000
National Harbours Board	151	Cr. 26	213	20,382	900
Railway and Steamship Companies	Cr. 20,521	81,717	4,067	Cr. 20,963	20,200
Crown Plants	Cr. 41,101	....	....	....	....
Other Crown Agencies	Cr. 14,767	2,500	4,615	Cr. 1,295	Cr. 1,200
	Cr. 74,838	106,790	79,195	96,034	101,000
Other Loans and Investments					
Provincial and Municipal Governments	Cr. 2,530	Cr. 63,629	Cr. 5,376	Cr. 4,031	Cr. 4,300
United Kingdom and Other Governments—					
United Kingdom—Loan under The War Appropriation (U.K. Financing) Act, 1942	Cr. 95,800	Cr. 111,285	Cr. 29,487	Cr. 9,936	Cr. 40,500
United Kingdom Financial Agreement Act, 1946—Loan	640,000	368,000	37,000	120,000	20,000
Export Credits Insurance Act	267,983	130,934	68,196	Cr. 10,964	Cr. 23,000
Other (U.K. and Other Governments)	Cr. 165,415	Cr. 5,712	2,060	5,541	Cr. 300
Canada's subscription to Capital of—					
International Monetary Fund	299,970	....	....	22,500	....
International Bank for Reconstruction and Development	48,750	16,250	....	5,658	....
Miscellaneous—					
Loans to veterans under the Soldier Settlement and Veterans' Land Acts	55,202	37,522	21,901	7,292	15,100
Balances receivable under agreements of sale of Crown Assets	13,503	Cr. 1,972	Cr. 1,230	Cr. 2,889	Cr. 700
Other miscellaneous loans	Cr. 10,552	Cr. 1,157	Cr. 588	Cr. 812	Cr. 600
	1,051,111	368,951	92,476	132,359	Cr. 34,300
Net Total of Changes in Loans and Investments	987,954	461,055	160,152	224,506	67,700

SUMMARIZED STATEMENT SHOWING SOURCES AND DISPOSITION OF CASH FUNDS FOR THE FISCAL YEAR ENDED MARCH 31, 1951

(In million of dollars)—Estimated

Cash funds made available during the year:—		
Net cash balance remaining out of current year's revenue		642·3
Consisting of:—		
Excess of revenues over expenditures for the year (i.e. budgetary surplus)	203·5	
Add back items included in total expenditures which did not represent cash*	482·8	
	686·3	
Deduct items included in total revenues which did not represent cash receipts*	44·0	
	642·3	
Increases in annuity, pension, insurance and guaranty accounts excluding the Unemployment Insurance Fund		21·7
Unemployment Insurance Fund—net cash contributions		58·4
Increase in floating debt		2·6
Repayment of departmental working capital advances—Agricultural prices support account, etc		16·2
Repayment of loans and working capital advances:—		
By Polymer Corporation, Ltd		1·9
By United Kingdom Government (under 1942 Financing Act, $40·5 million less advances under 1946 Agreement Act, $20·0 million)		20·5
By other Governments—Export Credits Insurance Act, etc		23·3
By Provincial and Municipal Governments		4·3
Repayments of other loans and investments (net)		1·3
		792·5
Decrease in cash balances during 1950-51		25·4
		817·9

Disposition of cash funds:—	
Reduction in sundry suspense accounts	7·7
Increase in securities investment account	5·2
Sinking fund purchases	0·8
Increase in Loans and Investments:—	
Advances to the Foreign Exchange Control Board	475·0
Working capital advances to Crown Corporations (net)	1·0
Advances to Central Mortgage and Housing Corporation (net)	78·5
Loans to Canadian Farm Loan Board	2·0
Loans to Canadian National Railways	19·9
Loan to Canadian National (West Indies) Steamships, Ltd	0·3
Loans to National Harbours Board (net)	0·9
Loans to other Crown agencies	1·3
Loans under Soldier Settlement and Veterans Land Acts (net)	15·1
Unemployment Insurance Fund—purchase of securities	83·8
Cost of issuing new loans (portion to be amortized)	10·0
Net reduction in funded debt	116·4
	817·9

* To calculate the amount of cash made available to the Government as a result of the current year's surplus there must be added back to the budgetary surplus figure of $203·5 million the following items included in total expenditure which did not involve current outlays of cash: provision for reserve for possible losses on ultimate realization of active assets, $75·0 million; provision for reserve for conditional benefits under the Veterans Land Act, $7·2 million; annual amortization of bond discounts and commissions, $12·5 million; transfer of value of existing stocks of weapons and equipment to a replacement fund for transfer to allied forces $195·4 million; amount required to recoup the Agricultural Prices Support Account to cover net loss of the Agricultural Prices Support Board, $3·5 million; the Government's contributions to the following funds: civil service superannuation account, $81·9 million; permanent services pension account, $12·0 million; unemployment insurance fund, $27·9 million; Government annuities fund, $1·5 million and the national capital fund, $2·5 million; interest on public debt credited to the following accounts: deposit and trust accounts, $2·1 million; annuity, pension, insurance and guaranty accounts, $32·5 million and unmatured funded debt, war savings certificates, $2·6 million; deductions from salary payments credited to: civil service superannuation account, $12·7 million; civil service retirement fund, $7·0 million and the permanent services pension account, $6·5 million. There must also be deducted from the budgetary surplus the following items included in total revenue which did not involve current receipts of cash: premium, discount and exchange account, $18·0 million; portion of profits of Park Steamships, Ltd. received in previous years and held in a suspense account, $1·0 million and an excess amount of reserve for refundable excess profits tax received in previous years and carried as a liability—funded debt, $25·0 million.

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1951 AND THE ANNUAL INTEREST PAYABLE THEREON

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan	Annual Interest Charge
			$ cts.	$ cts.
1951, May 1	$\frac{7}{8}$	Canada	200,000,000 00	1,750,000 00
Aug, 29	1	Canada	200,000,000 00	2,000,000 00
Sept. 1	1	Canada	550,000,000 00	5,500,000 00
Nov. 1	$1\frac{3}{4}$	Canada	500,000,000 00	8,750,000 00
1952, Feb. 1	$3\frac{1}{4}$	Canada	(1) 50,492,475 50	1,624,757 88
Nov. 1	$1\frac{1}{2}$	Canada	300,000,000 00	4,500,000 00
Nov. 1	$1\frac{3}{4}$	Canada	300,000,000 00	5,250,000 00
1953, Mar. 1	$1\frac{1}{2}$	Canada	325,000,000 00	4,875,000 00
1954, Mar. 1	3	Canada	(2) 676,355,489 00	20,089,767 00
Dec. 15	2	Canada	395,000,000 00	7,900,000 00
1956, July 1	$2\frac{1}{4}$	Canada	400,000,000 00	9,000,000 00
Nov. 1	3	Canada	(3) 855,607,410 50	25,414,081 50
Nov. 1	$2\frac{3}{4}$	Canada	*243,420,000 00	6,694,050 00
1957, May 1	3	Canada	1,111,261,650 00	33,337,849 50
Nov. 1	$2\frac{3}{4}$	Canada	*130,280,000 00	3,582,700 00
1958, June 1	3	Canada	88,200,000 00	2,646,000 00
Sept. 1	4	London	(4) 1,874,120 77	74,964 83
Nov. 1	$2\frac{3}{4}$	Canada	*125,420,000 00	3,449,050 00
1959, Jan. 1	3	Canada	1,197,324,750 00	35,919,742 50
Nov. 1	$2\frac{3}{4}$	Canada	*193,410,000 00	5,318,775 00
1960, June 1	3	Canada	1,165,300,350 00	34,959,010 50
Nov. 1	$2\frac{3}{4}$	Canada	*267,215,000 00	7,348,412 50
1961, Jan. 15	$3\frac{1}{4}$	New York	(5) 50,160,000 00	1,630,020 00
1962, Feb.1	3	Canada	1,315,639,200 00	39,469,176 00
1963, July 1	$3\frac{1}{4}$	London	(4) 2,073,747 73	67,396 80
July 1	3	London	(4) 52,234,535 46	1,567,036 06
Aug. 1	3	New York	(5) 156,750,000 00	4,702,500 00
Oct. 1	3	Canada	1,295,819,350 00	38,874,580 50
1966, June 1	$3\frac{1}{4}$	Canada	54,703,000 00	1,777,847 50
Sept. 1	3	Canada	1,691,796,700 00	50,753,901 00
1968, June 15	$2\frac{3}{4}$	Canada	350,000,000 00	9,625,000 00
1974, Sept. 1	$2\frac{3}{4}$	New York	(5) 104,500,000 00	2,873,750 00
1975, Sept. 15	$2\frac{3}{4}$	New York	(5) 52,250,000 00	1,436,875 00
Perpetual	3	Canada	55,000,000 00	1,650,000 00
1951, April 6 Treasury Bills	·627	Canada	75,000,000 00	470,250 00
April 20 Treasury Bills	·626	Canada	75,000,000 00	469,500 00
May 4 Treasury Bills	·670	Canada	75,000,000 00	502,500 00
May 25 Treasury Bills	·728	Canada	75,000,000 00	546,000 00
June 8 Treasury Bills	·754	Canada	75,000,000 00	565,500 00
June 22 Treasury Bills	·755	Canada	75,000,000 00	566,250 00
Refundable portion of excess profits tax (estimated)	....	Canada	*22,842,000 00	....
War Savings Certificates	3	Canada	*97,340,000 00	2,920,200 00
			15,027,269,778 96	390,452,444 07
Payable in Canada	....	....	14,607,427,375 00	97·21%
Payable in London	....	....	56,182,403 96	0·37%
Payable in New York	....	....	363,660,000 00	2·42%
			15,027,269,778 96	100·00%

(1) Redeemable at 101 per cent. Amount outstanding includes \$499,925.50 redemption bonus.

(2) Redeemable at 101 per cent. Amount outstanding includes \$6,696,589.00 redemption bonus.

(3) Redeemable at 101 per cent. Amount outstanding includes \$8,471,360.50 redemption bonus.

(4) Conversion rate estimated at \$2·93½ to the £ sterling.

(5) Conversion rate estimated at \$100 U.S. equals \$104.50 Can.

* Estimated.